

PROJECT NO. 16251

INVESTIGATION OF SOUTHWESTERN
BELL TELEPHONE COMPANY'S ENTRY
INTO THE TEXAS INTERLATA
TELECOMMUNICATIONS MARKET

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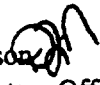

Final Staff Status Report on Collaborative Process

NOVEMBER 18, 1998

Public Utility Commission of Texas

Memorandum

TO: Chairman Pat Wood, III
Commissioner Judy Walsh
Commissioner Patricia A. Curran

FROM: Donna L. Nelson 
Assistant Director, Office of Regulatory Affairs
Katherine D. Farrobat 
Administrative Law Judge, Office of Policy Development

RE: Project No. 16251, *Investigation of Southwestern Bell Telephone Company's Entry Into the Texas InterLATA Telecommunications Market* – Final Status Report on Collaborative Process

DATE: November 18, 1998

Attached is the final Staff status report on the collaborative work sessions. This status report was presented to you during the November 16, 1998 Open Meeting; it addresses all of the Commission's Recommendations contained in Order No. 25, filed on June 1, 1998. The status report contains several attachments:

- Attachment A is the Performance Measurements that SWBT agreed to implement during the collaborative sessions (Recommended Staff changes are in *italics*);
- Attachment B sets out the Tier 1 damages and Tier 2 penalties that apply to the Performance Measures;
- Attachment C sets out the Benchmarks for the Performance Measures;
- Attachment D is an October 9, 1998 Memorandum from Staff that defines flow-through and commercial volume.

The attached status report replaces and updates Staff status reports one, two, and three. The updated language appears in *italics*.

As discussed in the November 16, 1998 Open Meeting, SWBT needs to file Affidavits to reflect the changes and processes it has agreed to put in place during the collaborative sessions. To the extent SWBT is willing to implement the changes recommended in this status report, SWBT needs to assert that it will make, has made or is in the process of making those changes, and, if appropriate, needs to explain in its Affidavits how those changes are being made and when the changes will be complete. SWBT needs to file its Affidavits by December 1, 1998. Participants may file responses to SWBT's Affidavits by December 10, 1998. In view of the FCC's strong preference for sworn information, participants should file their responses in Affidavit form. SWBT's and the participants' Affidavits will be admitted into the Project No. 16251 record at the December 14, 1998 Open Meeting.

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cc: SWBT and all participants

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ATTACHMENT A: PERFORMANCE MEASUREMENTS THAT SWBT AGREED TO IMPLEMENT DURING THE COLLABORATIVE SESSIONS (RECOMMENDED STAFF CHANGES ARE IN ITALICS)

ATTACHMENT B: SETS OUT THE TIER 1 DAMAGES AND TIER 2 PENALTIES THAT APPLY TO THE PERFORMANCE MEASURES

ATTACHMENT C: SETS OUT THE BENCHMARKS FOR THE PERFORMANCE MEASURES;
ATTACHMENT D IS AN OCTOBER 9, 1998 MEMORANDUM FROM STAFF THAT DEFINES FLOW-THROUGH AND COMMERCIAL VOLUME

ATTACHMENT D: FLOW-THROUGH AND COMMERCIAL VOLUME/TESTING ISSUES RELATING TO OPERATIONS SUPPORT SYSTEMS (OSS) OF SWBT

PUBLIC INTEREST

Commission Recommendation No. 1:

The Commission shall establish a collaborative process whereby SWBT, Commission staff, and participants to this project establish a working system that addresses all of the issues raised in this recommendation.

SWBT's Proposal:

SWBT has agreed to address the Commission's public interest recommendations and is participating in the collaborative process. Specific public interest issues are addressed in other public interest recommendations.

CLECs' Comments:

CLECs and other participants are collaborating in the work session discussions and providing feedback on SWBT's proposals, including in some instances alternative proposals or modifications to SWBT's proposals.

Staff Recommendation:

This recommendation is contingent upon successful resolution, through the collaborative process, of all of the recommendations in the Commission's June 1, 1998 Order. Based on the work sessions held to date, SWBT has made substantial progress in addressing these recommendations.

Commission Recommendation No. 2:

SWBT needs to show this Commission and participants during the collaborative process by its actions that its corporate attitude has changed and that it has begun to treat CLECs like its customers.

SWBT's Proposal:

SWBT commented that its commitment to treat CLECs as its customers is evident through its affidavits, its commitment to the collaborative process and changes instituted to improve the lines of communication within SWBT and with the CLECs and to ensure timely resolution of problems. SWBT appreciated positive and negative feedback from CLEC customers on the process improvements.

CLECs' Comments:

MCI, TCG, AT&T, NEXTLINK Texas, e.spire, Westel commented that while there have been some improvements in the communication between SWBT and CLECs during the collaborative process, they have not been consistent. The CLECs expressed concern regarding lack of timely responses on customer-affecting issues in particular, co-ordination of communication within SWBT, the BFR process, requests for training, lack of customer-oriented approach in the resolution of problems, constant change in procedures and practices, inadequate information on escalation procedures. AT&T commented that there is no guarantee that any process improvements will continue after the conclusion of the collaborative process. This recommendation was viewed as a "general, overarching statements" that apply to many of the Commission recommendations.

Staff Recommendation:

This recommendation is contingent upon successful resolution, through the collaborative process, of all of the recommendations in the public interest section. Based on the work sessions held to date, SWBT has made substantial progress in addressing these recommendations.

Commission Recommendation No. 3:

SWBT needs to establish better communications between its upper management including its policy group, and its account representatives. As a first step, SWBT shall develop policy manuals for its account representatives and put into place a system, such as Email notifications, to communicate decisions by the policy group to account representatives and questions or comments back to the policy group.

SWBT's Proposal:

SWBT has taken a number of steps to meet this recommendation. First, SWBT established the Wholesale Marketing Group (WMG), a division developed to resolve issues related to CLEC interconnection. The WMG conducts weekly conference calls to discuss CLEC issues and establish consistent policy for wholesale customers. The WMG serves as the central point for negotiation and coordination of interconnection activities. Interconnection and Resale managers serve on teams with Account managers in an Account Manager Forum that develops positions, answers CLEC questions and interfaces with the WMG. Second, SWBT has developed an evolving website to provide all pertinent documents and information to the CLECs on an as-needed basis. Some of the documents which are, or will be, available on the website are: SWBT's Resource Guide; the CLEC Handbook; and the "generic" interconnection agreement used as the basis for SWBT's interconnection agreement contract negotiations. Third, SWBT provides copies of its "Accessible Letters" (letters in a standard format which update customers regarding operational and policy changes) to all of its interconnection customers by mail and has added these Accessible Letters to its website. Fourth, SWBT has provided all of its wholesale customers with a list of management personnel contacts for purposes of escalation, and provides back-up for personnel, and pager numbers. Fifth, SWBT has established a "Flash Email" system for account managers which provides immediate updates regarding policy and organizational issues. SWBT contends that the "generic" interconnection agreement is the embodiment of its policy and serves as the "policy manual" for negotiating interconnection agreement contracts and the procedures for CLEC implementation are in its Resource Guide and Resale Handbook.

Supplemental Information:

SWBT gave a website presentation on October 9, 1998, for participants and presented a schedule for future enhancements. SWBT is evaluating the possibility of breaking portions of the website into smaller sections for easier CLEC access. Email has been established for CLEC customers and additional information for the purposes of following-up the Emails will be provided. SWBT intends to provide product descriptions for UNEs, website links to the PUC and possibly select portions of tariffs, and a link to the PUC's arbitration results by the end of the year. SWBT has attempted to parallel its LXC "handbook" as requested by the CLECs. In total the SWBT wholesale website provides the company's operational guidelines. SWBT also provided participants with a hotline number (214-464-1665) and stated it had provided via direct mail appropriate passwords for access to specific portions of the website. Because it is a dynamic and evolving document the company anticipates continued upgrades based upon CLEC input.

CLECs' Comments:

Time Warner, TCG, AT&T and MCI acknowledged improvements in communications with SWBT since the Commission's 271 Recommendations were issued, but stated that the result has not been consistent relating to decision making and operational guidelines. As a result of these inconsistencies, parties believe they still suffer from lengthy delays when decisions must be reached. AT&T, TCG, and MCI state that SWBT is not internally relaying PUC Arbitration Awards and that the "generic" interconnection agreement does not reflect these decisions. AT&T and MCI believe SWBT's senior management needs additional commitment to CLEC customers which can be accomplished through a compensation system based upon performance. (This will be discussed further under Commission Recommendation No. 5). AT&T recommended SWBT develop a "report card," similar to the one used on the access side of the business, to evaluate management performance. AT&T further recommended that the scope of the existing OSS group be expanded, as well as SWBT's proposed CLEC Forums. WorldCom, MCI, AT&T and TCG recommended SWBT be required to parallel their Access Services Division which operates efficiently. AT&T insists SWBT needs an operations guideline document, providing process flows and a performance matrix, like that used by its Access Division. In addition, AT&T and TEXATEL recommended SWBT be required to use the terms and conditions negotiated with other CLECs as the starting point for all contract negotiations.

Supplemental Information:

On October 9, 1998, AT&T and TCG expressed their appreciation of the amount of work SWBT had invested in its website and commented that the structure was good. Nextlink stated it was pleased that SWBT had the content in place and was allowing the CLECs to participate in the process leading to the website's final form. Time Warner stated that it viewed the website as a business research tool. The CLEC Coalition and MCI stated that all SWBT's collocation tariffs should be made available via the SWBT website.

Staff Recommendation:

Although Staff is encouraged by SWBT's efforts in responding to this recommendation, Staff cannot bring this Recommendation to closure because follow-up is needed. Further, SWBT has brought forth several proposals in response to various Commission Recommendations (several of those Recommendations have not yet been summarized) to address the overall public policy issues of communication within SWBT and communication between SWBT personnel and CLEC personnel. Also, because this Commission Recommendation specifically stated that "SWBT shall develop policy manuals for its account representatives" and SWBT did not do so, but instead intends to rely upon its Generic Interconnection Agreement to set forth its policies, the Commission will need to decide whether on balance SWBT has adequately addressed the issues that underlie this and other overlapping Recommendations.

SWBT and parties are evaluating a Comprehensive Interconnection Proposal (CIP) which SWBT states incorporates all of the Commission's Arbitration Awards, Recommendations and decisions. (This CIP was filed in response to Commission Recommendation Nos. 10 and 11). The final revised CIP approved by the Commission shall be made available on SWBT's website within 30 days of said approval. The CIP and SWBT's "generic" interconnection agreement will then provide the company's policy regarding contract negotiations and will be updated to encompass any future Commission decisions. SWBT should

continue the work to enlarge its website and provide CLECs with regular schedules regarding expected updates to this evolving document. SWBT shall develop operational details for CLECs which parallel those procedures, process flows and performance matrices used by its Access Division and make this available on the CLEC website by October 9, 1998. SWBT shall inform staff and the CLECs when a new director has been appointed to its Wholesale Marketing Group.

Follow-Up:

As discussed above, after SWBT has completed the following steps, Staff will be prepared to recommend whether, notwithstanding SWBT's reliance on the Generic Interconnection Agreement, this and other overlapping Recommendations have been met:

- 1.) SWBT submits its cross-referencing guide to the CIP on or around September 24, 1998.
- 2.) SWBT shall develop operational details for CLECs which parallel those procedures, process flows and performance matrices used by its Access Division and make this available on the CLEC website by October 9, 1998.
- 3.) SWBT provides a website review presentation on October 9, 1998 to staff and participating CLECs.
- 4.) SWBT posts the approved revised CIP on its website within 30 days of Commission approval.

Supplemental Staff Recommendation:

Consistent with the 271 hearing, the CLECs expressed frustration throughout the public interest sessions on the ability to consistently obtain timely, accurate information from their account managers and others at the LSC and SWBT. Staff believed that this failure or delay in providing accurate information had the potential to seriously frustrate a new entrant's ability to effectively compete in the market. Staff recommended that SWBT develop an internal policy manual to make it easier for account managers to interact with the CLECs. SWBT chose not to provide a policy manual, instead relying upon its generic interconnection agreement to establish its policies. SWBT later supplemented that policy with the CIP, which is an interconnection proposal that contains the "spirit" of all of the Commission's arbitration awards. SWBT indicated in the October 9, 1998 collaborative session that it did not intend to incorporate any Commission awarded arbitrations after July 1, 1998. Given that fact, the CIP is a static document and cannot serve as a policy manual for SWBT employees in a rapidly changing wholesale environment. Notwithstanding its failure to provide a policy manual, SWBT has made significant strides in making its website a useful tool for its account representatives and its wholesale customers. In response to Public Interest Recommendation Nos. 4 and 7, SWBT also worked with the CLECs to develop internal timeframes for SWBT to respond to CLECs. Although SWBT and the CLECs ultimately failed to reach final agreement on a document setting forth the time frames, they came very close.

This recommendation will be MET if SWBT leaves in place the changes discussed throughout this Recommendation, if SWBT implements the time frames Staff recommends in Public Interest Recommendation Nos. 4 and 7, and if SWBT continues to update the website as stated in the collaborative sessions, including adding a section by the end of the year that sets forth all of the provisions from the Commission's arbitration awards.

Commission Recommendation No. 4:

SWBT needs to establish consistent policies used by all SWBT employees in responding to issues raised by CLECs. Toward that end, SWBT shall establish an interdepartmental group whose responsibility is trouble shooting for CLECs engaged in interconnection, purchase of UNEs, and resale. This group shall be headed by an executive of SWBT with the final decision making power.

SWBT's Proposal:

SWBT's new WMG trouble-shoots issues related to CLEC interconnection and consists of two officer level organizations. The first is the Marketing Group which represents and advocates CLEC positions. The second is the Operational Group containing the Local Service Center (LSC), the Local Operations Center (LOC) and the new Technical Support Organization (TSO). The LSC serves as the CLEC business office and initiates all orders and implementation. A Central Error Resolution Team has been established in the LSC to examine, correct and improve these processes. The LOC addresses CLECs' problems and complaints. SWBT has created a hotline for its TSO. A Customer Action Support Team (CAST) was established as of 8/15/98 to enhance procedures for CLECs regarding operational issues related to ordering provisioning and maintenance. The Service Management Organization in the LOC mirrors those functions in SWBT's Access Division and serves as an advocate for CLECs. Two Executive Director positions have been added reporting directly to the Vice President of Network Planning and Engineering with the purpose of developing consistent policies for CLEC implementations. The first develops and communicates network policy. The second implements policy and procedures and is responsible for provisioning collocation space, points of access, long term number portability, bona fide request procedures, trunking arrangements and UNE arrangements. An Account Manager is assigned to each CLEC at the time of its contract negotiations. The Account Managers work in conjunction with the Account Manager Forum, weekly conference calls, and interaction with the new staff organizations created since the Commission's 271 Recommendations to resolve the CLECs concerns during negotiation and implementation. SWBT believes these procedures demonstrate it is establishing internal consistency regarding information provided to CLECs. In addition, SWBT encourages CLEC comments or suggestions through Email at its website and updates the website weekly.

CLECs' Comments:

WorldCom asserts that CAST does not have final decision making authority. TCG and AT&T suggest SWBT share the CLECs' common concerns and questions along with solutions reached over the website. TCG and AT&T believe SWBT needs to establish financial and other incentives to its LOC personnel based upon CLEC satisfaction and that a complete survey of all CLECs should be completed. MCI and Westel note that there are too many delays and that specific timeframes for resolving issues would correct this. All parties appear to agree that SWBT needs to establish timelines for contacting and resolving CLEC issues related to operations, policy, repair and complaints. TCG stated it appreciated SWBT's LOC and LSC procedures regarding escalation of CLEC problems, as well as the creation of CAST.

Staff Recommendation:

Again, staff is encouraged by SWBT's activities to date which address the Commission's Recommendation. Staff recommends SWBT should develop compensation or other incentives for LSC and LOC personnel and report its proposal at the October 9, 1998, Collaborative Session. SWBT has assured the parties and staff that it will complete a survey of its CLEC customers regarding satisfaction, problems, suggestions for procedural improvements and future forums. SWBT shall use this survey to assess CLEC satisfaction and develop future compensation plans and forums to address CLEC concerns. Finally, SWBT shall establish internal timelines to address CLEC concerns which are consistent with the timelines for escalation and problem resolution established under Recommendation 7 of the Public Interest.

Follow-Up:

This recommendation is met if the follow-up delineated below occurs:

- 1.) SWBT works with the CLECs to establish internal timelines for responding to CLECs (and those timelines are discussed at the October 9, 1998 work session), as further addressed under Recommendation No. 7.
- 2.) SWBT submits its compensation proposal on October 9, 1998.

Supplemental Staff Recommendation:

This recommendation will be MET if SWBT agrees to the timeframes Staff suggests under Public Interest Recommendation No. 7. SWBT did not submit a further compensation proposal on October 9, 1998, but that discussion belongs under Public Interest Recommendation No. 5 and, while tied to this Recommendation overall, should not affect SWBT's ability to meet this Recommendation.

Commission Recommendation No. 5:

Southwestern Bell needs to establish a system for providing financial or other incentives to LSC personnel based upon CLEC satisfaction.

SWBT's Proposal:

SWBT has established multiple levels of financial incentives as well as other incentives that are directly linked to customer satisfaction. For the various functions handled by the wholesale local operations center such as pre-ordering, order processing, billing and collections and provisioning and maintenance, there exists detailed goals and performance objectives that are directly linked to the management salary structure. In addition, employees in SWBT's wholesale operations have significant at-risk pay opportunities based on strict objectives for providing exemplary service to local wholesale customers. Non-management employees share the same goal and objectives such as quality service, CLEC satisfaction and ease of doing business. These objectives are measured using performance measures, process improvements, and customer complaints. Employees not meeting these objectives are subject to positive discipline up to and including termination. In January 1998, SWBT implemented, at the vice president level, a multilevel recognition incentive plan in order to reward extraordinary contribution, including exemplary action on behalf of wholesale customers. All employees in the local operations center are eligible for these incentives and numerous individuals and teams have been recognized to date. In addition, SWBT is in the process of distributing a survey to its CLEC customers to assess customer satisfaction. SWBT indicated that the survey about account team performance will be tied to compensation for account representatives. SWBT was unable to provide any information on whether revenue targets were tied to compensation for its retail employees and if similar revenue accountability existed on the wholesale side of its business.

CLECs' Comments:

AT&T commented that it was imperative for the incentive pay to be linked to customer satisfaction and a survey should be used to assess customer satisfaction not only for account teams but for wholesale employees in general. AT&T and MCI indicated that they had not received the customer surveys and SWBT indicated that it was because they had a different account manager.

Staff Recommendation:

While the steps taken by SWBT are encouraging, Staff believes that there may be a need to develop procedures that would tie compensation more directly to customer satisfaction. Staff finds the CLEC surveys to be an useful tool to measure customer satisfaction of both large and small CLECs and should be used to determine financial or other incentives. Staff, therefore, believes SWBT should establish CLEC surveys, or report cards, to be conducted every six months for the first two years (and yearly after that) of each wholesale customer and tie the results of those surveys to financial compensation. SWBT shall model the survey or report cards on what it provides on the Access side of its business. Staff suggests that the first survey be conducted, and the results shared with the Commission, before the end of 1998.

Commission Recommendation No. 6:

SWBT needs to commit to resolving problem issues with CLECs in a manner that will give CLECs a meaningful opportunity to compete.

SWBT's Proposal:

SWBT will hold free Customer Issues Forum (the first will be 9/14-9/15) dedicated to specific issues of importance to CLECs. SWBT is also developing an overview class for account managers and operational personnel. Future Forums will be based upon input from CLEC participants and Email suggestions. Operations staff and account managers will hold monthly meetings to discuss CLEC issues. SWBT has designed a communications flow internally to react expeditiously to CLEC concerns and resolve problems. SWBT will develop timelines in conjunction with the CLECs for responses to CLECs' complaints and inquiries which are similar to those that exists for retail customers.

CLECs' Comments:

Time Warner noted there had been some improvement in communications between itself and SWBT since the 271 Commission Recommendations, but AT&T, MCI and TCG stated they are not experiencing consistent improvement. MCI stated it took too long to resolve problems and to escalate trouble reports. TEXALTEL noted that CLECs must research all existing interconnection agreements and arbitration awards to ascertain what is and is not available from SWBT and if SWBT provided a summary of available terms and conditions this would assist the CLECs and reduce the time engaged in such research. AT&T and TCG noted that the Access Division at SWBT has a procedure for exchanging priorities with their companies and suggested this might be a useful model for the development of a methodology to resolve CLEC concerns. e.spire advised it believes the website is resolving problems and thinks over time this will lead to greater consistency in SWBT personnel responses. ChoiceCom recommends that SWBT commit to improving the ratio of account managers to CLECs from its current 1:15 to 1:8 or at least equivalent to what it is for access customers.

Staff Recommendation:

SWBT has made significant strides in reaching the objective of this recommendation. Staff recommends that SWBT be required to report improvement in the ratio of account managers to CLEC customers by the close of the calendar year. Wherever possible, staff recommends SWBT parallel their Access Division procedures.

Follow-Up:

As an initial matter, SWBT should provide a report to the Commission staff which demonstrates that the ratio of Account Managers to CLECs has been reduced to 1:10 or better. This recommendation is also contingent upon successful resolution, through the collaborative process, of the specific recommendations in the Public Interest Section. However, based on the Public Interest work sessions held to date, SWBT has made substantial progress in addressing this recommendation.

Supplemental Staff Recommendation:

SWBT has not provided a report to Commission staff that demonstrates that the ratio of Account Managers to CLECs has been reduced to 1:10 or better. This recommendation is related to Recommendations 4 and 7. Once those Recommendations have been met and SWBT has reported to Commission Staff that the ratio of Account Managers to CLECs has improved, this Recommendation will be MET.

Commission Recommendation No. 7:

SWBT shall draft a comprehensive manual for CLECs to ensure the timely provision of all aspects of interconnection, provision of UNEs and resale. The manual shall be written in a fashion that clearly delineates parties' responsibilities, the procedures for obtaining technical and other practical information, and the timelines for accomplishing the various steps in interconnection, purchase of UNEs and resale. The manual should also set forth SWBT's policy with regard to a CLEC's ability to adopt an approved interconnection agreement pursuant to Section 252(i) (referred to as the "MFN" process).

SWBT's Proposal:

On 1/1/98 SWBT had two paper CLEC Manuals. On May 18, 1998, SWBT established a website consisting of just these two handbooks. As of September 4th that website included all of SWBT's Accessible letters, USOC manuals, local service ordering procedures (LSORD) and other documents. SWBT believes this addresses the recommendation. In addition, SWBT is committed to continuous evolution of the website which will be a dynamic document. In Phase IV UNE USOCs, the FID Guide, OSS, etc. will be added. In addition, the website provides Email links for CLECs and a search engine, which will be upgraded. SWBT will establish password links for CLECs, add a new document for collocation technical matters, add information regarding LNP and additional escalation contact information, as well as timelines for SWBT responses to CLECs. SWBT remains committed to executive level meetings between itself and CLEC executives.

SWBT's Supplemental Proposal:

As discussed above, SWBT gave a website presentation on October 9, 1998, for participants and presented a schedule for future enhancements. Mr. Hughes stated that SWBT's commitments pertaining to development of the website were met, except for an update of local number portability information. SWBT committed to put PUC arbitration results on the website by the end of 1998. SWBT committed to have performance measures on the website by October 1 and reported that it was done. By the end of the year, the performance measure section of the website will be expanded to include definitions and business rules. SWBT committed to putting explanatory information on the website which describes how to use the search engine. SWBT committed to closely monitor its responsiveness to questions and comments sent to the website. SWBT is evaluating the possibility of breaking portions of the website into smaller sections for easier CLEC access. Email has been established for CLEC customers and additional information for the purposes of following-up the Emails will be provided. SWBT intends to provide product descriptions for UNEs, website links to the PUC and possibly select portions of tariffs, and a link to the PUC's arbitration results by the end of the year. SWBT has attempted to parallel its IXC "handbook" as requested by the CLECs. In total the SWBT wholesale website provides the company's operational guidelines. SWBT also provided participants with a hotline number (214-464-1665) and stated it had provided via direct mail appropriate passwords for access to specific portions of the website. SWBT expressed an interest in incorporating many of the suggestions made by the CLECs during the various collaborative sessions. Because it is a dynamic and evolving document the company anticipates continued upgrades based upon CLEC input.

CLECs' Comments:

AT&T believes CLECs should have input into the guidelines provided in the CLEC manual. MCI recommends SWBT provide references in its Manual and standard definitions. AT&T wants more practical information on the website, as well as greater detail, and suggests SWBT should organize its "what's new" section by topic or other subject references. AT&T also wants a frequently asked questions section. e.spire recommends SWBT agree to update the inconsistent notations in its Resource Guide regarding MFN policies and establish links between its websites. WesTel recommends SWBT produce "redlined" documents or some other method of determining which sections have been changed due to policy or Commission decisions.

Supplemental CLECs' Comments:

Prior to the October 9, 1998 work session, AT&T complained that the information contained in the website is too high-level to set forth in a meaningful way the procedures or operational guidelines for doing business with SWBT. As an example, AT&T cites to the fact that the entire OSS document is 3 pages in length and the discussion on LEX is limited to one sentence. After the October 9, 1998 collaborative session, AT&T and other CLECs acknowledged that the format of the website has improved, but still expressed concern that the website lacked sufficient detail to serve as an effective resource for CLECs. AT&T also complained that the website generally reflects SWBT's "policy" positions and not Commission rulings.

Staff Recommendation and Follow-Up:

Staff agrees that the website approach employed by SWBT best addresses the changing environment of CLECs' operations and is encouraged by SWBT's Proposals for evolution of the website. Staff is also encouraged by SWBT's positive response to the suggestions made by the CLECs at the Public Interest workshops. Because the CLECs allege that delays by SWBT in responding to the CLECs have made it difficult for them to conduct business, Staff requested that the CLECs establish timeframes for various activities. The CLECs made a joint filing and the CLECs and SWBT will be meeting to resolve their differences regarding such timeframes and will report at a future collaborative session. Staff recommends for each issue that CLECs be required to establish a single point of contact within their organizations for SWBT escalation and input into SWBT's projects for CLECs. Staff recommends SWBT establish timelines for contract compliance (including interpretation), OSS ordering, provisioning, maintenance, repair and billing. These timelines should address contact intervals as well as a final date for resolution of any CLEC complaint and shall be posted to the website. In addition, staff recommends SWBT establish a single point of contact for resolution of policy matters related to contract disputes. Staff further recommends SWBT establish CLEC specific sites with password, and provide escalation contacts and procedures on those sites. Finally, staff recommends SWBT develop a timeline to incorporate better search mechanisms and topical cross references for CLEC use of the website. With regard to the adoption of an approved interconnection agreement which incorporates the MFN process, as discussed in Public Interest Recommendation No. 3 above, SWBT has committed to the creation of a Comprehensive Interconnection Proposal incorporating the Commission's Awards for the purposes of the CLEC MFN option pursuant to Sec. 252(i). This document will be reviewed by CLECs and further evaluation will take place. It should be noted that the Comprehensive Interconnection Proposal does not allow adoption of select sections suitable to individual CLEC needs as discussed by the Commission in the 271 Hearings.

Supplemental Staff Recommendation:

At the October 9, 1998 collaborative session, Staff noted that many of the recommendations made by CLECs in earlier sessions were incorporated into the website. Staff agrees with the CLECs that SWBT needs to include more procedural and technical detail on the website in order for the site to provide meaningful help to CLECs on a continuing basis. Although SWBT and the CLECs made great progress in determining timelines (as discussed in original Recommendation above), they were not able to come to final agreement. Staff, therefore, recommends the following resolution to the disputed issues (a copy of the final draft of the document entitled "Southwestern Bell Telephone Company (SWBT) Internal Escalation Process Intervals" is attached to this Recommendation):

- 1. In the portion of the document entitled "Administrative Issues," there appear to be no disputes. Staff therefore believes SWBT's redlined version, attached hereto, should be the final language.*
- 2. In the portion of the document entitled "Local Operations -- Service Affecting/Critical Issues" Staff believes SWBT and the CLECs should come to some agreement on what the terms "service affecting" and "critical" mean, because the time to disagree is not when a new entrant is trying to resolve a "service affecting" or "critical" issue. In the event that SWBT cannot come to agreement with the CLECs on how to define those terms, Staff agrees with the CLECs that the CLECs should be the ones to determine whether the issue is "critical" or "service affecting." SWBT is the one who determines in its retail business whether an issue is "critical" or "service affecting." The CLECs will not have parity until they also are able to make such a determination.*
- 3. In the portion of the document entitled "Maintenance," Staff believes that the fact that there is no concrete time frame for SWBT to respond to maintenance problems with "specials" or "design services" is problematic. Staff, therefore, gives SWBT the option of inserting time frames within the document or accepting the CLECs' final version submitted to SWBT (which SWBT thinks should be stricken).*
- 4. In the portion of the document entitled "Customer Action Support Team (CAST)," Staff agrees with SWBT that "notify" is the more appropriate language. However, since this document is intended to establish time frames, an agreement to "notify" is not adequate. Therefore, Staff believes it should state "notify within one hour or sooner if the issue requires earlier notification." Staff agrees that the sentence which begins "In addition. . ." should be stricken because it appears to be repetitive.*
- 5. In the portion of the document entitled "Contract Issues -- Compliance/Interpretation/Implementation," Staff believes SWBT's redlined version should be controlling, except for the following: In the Staff Recommendation above, Staff recommended that SWBT establish a single point of contact for resolution of policy matters related to contract disputes. Therefore, the first sentence should be amended to read: "The CLEC will direct critical contract issues to its SWBT Account Manager, though a CLEC single point of contact. SWBT shall also maintain a single point of contact for the resolution of contract issues."*

This Recommendation will be MET if SWBT does the following:

- *Issues the "Internal Escalation Process Intervals" document with the changes suggested by Staff;*
- *Continues to add more detail, including technical information, to its website;*
- *Continues to accept the input provided by its wholesale customers on the content and format of its website; and,*
- *Posts the Commission's arbitration awards on its website by December 15, 1998.*

Commission Recommendation No. 8:

SWBT needs to treat CLECs at parity with the way it treats itself or its unregulated affiliates.

SWBT's Proposal:

SWBT addressed Recommendation No. 8 in the collaborative process affidavit of Michael Auinbauh filed July 3, 1998. Mr. Auinbauh's affidavit states that SWBT is committed to providing resold services and interconnection in parity with how SWBT provides those services to itself, its affiliates and others required in the FTA. As evidence of SWBT's parity treatment, Mr. Auinbauh points to SWBT's cooperative effort with the PUC and the DOJ to develop performance measures. Additionally, Mr. Auinbauh notes the Local Operations Center (LOC) and Local Service Center (LSC) interactions with CLEC customers which demonstrate parity in terms of pre-ordering, ordering and billing. Finally, Mr. Auinbauh notes that CLEC satisfaction surveys and Competitive Provider Account Team (CPAT) compensation structures demonstrate parity.

CLECs' Comments:

Recommendation No. 8 was discussed generically, in conjunction with Recommendation Nos. 1, 2 and 9 at the collaborative workshop held September 15, 1998. During the workshop, there was a recognition that Recommendation Nos. 1, 2, 8 and 9 are "general, overarching statements that apply to many of the recommendations contained in the June 1 recommendation of the Commission." Because of the general nature of Recommendation No. 8, no specific concerns or remedies beyond those offered via Mr. Auinbauh's affidavit were reflected in the transcript.

Staff Recommendation:

This recommendation is contingent upon successful resolution, through the collaborative process, of all of the recommendations in the public interest section. Based on the work sessions held to date, SWBT has made substantial progress in addressing these recommendations.

Commission Recommendation No. 9:

SWBT needs to show proof that it has made all the changes it agreed to make during the process of the Commission's 271 hearing, all of which have been detailed in the record.

Commission Recommendation No. 10:

SWBT needs to establish that its interconnection agreements are binding and are available on a nondiscriminatory basis to all CLECs.

Commission Recommendation No. 11:

To the extent SWBT chooses to establish 271 requirements by relying upon interconnection agreements it has appealed, SWBT should consider adopting a statement of generally available terms and conditions.

SWBT's Proposal:

SWBT considers its contracts to be binding and states it has implemented several agreements as evidence to this. SWBT has also had MFNs into the AT&T agreement which SWBT feels is evidence that the agreements are available on a nondiscriminatory basis to all CLECs.

SWBT presented an interconnection proposal which it feels incorporates the spirit of the Commission's arbitration awards. SWBT states that arbitration results will be available to any party that comes forward seeking this interconnection proposal. SWBT intends to include arbitration awards up to July 1, 1998 in the CIP. A CLEC would have three options in terms of obtaining an interconnection agreement. The first option is that the CLEC would negotiate with the generic agreement; second, the CLEC could MFN into an entire agreement; and third, the CLEC could adopt the CIP. SWBT's position is that it will not generally offer section-by-section MFN.

SWBT will not file a statement of terms and conditions because it wishes to reserve its rights pending appeals. SWBT agreed to provide a cross-reference copy of the CIP to show the specific provisions that incorporate Commission awards that are currently on appeal.

Finally, SWBT has agreed to put the CIP on its web site once it has been approved by the Commission.

CLECs' Comments:

At the collaborative workshop held October 9, 1998, numerous changes agreed to by SWBT were discussed. A significant area of discontent from CLECs was SWBT's retraction of its agreement to offer CLECs the opportunity to obtain a section by section MFN from an existing interconnection agreement. At the workshop, Mr. Michael Auinbauh stated on SWBT's behalf that SWBT no longer offers section by section MFN on a routine basis. In lieu of the section by section MFN, SWBT presented the CIP. Participants stated they had not had enough time to completely evaluate the CIP but generally felt it was of no use to the CLECs. Time Warner stated the CIP only incorporates arbitration decisions to July 1, 1998 and makes no commitment to include future awards. Texatel stated that the CIP would be a step backwards for the CLECs and that the Commission should not approve or in any way endorse it. MCI stated that its review had revealed that the language of the CIP does not mirror the exact language of the

arbitrations awards. AT&T stated that the CIP does not satisfy the public interest recommendations to make agreements available on a non-discriminatory basis, and to make provisions which provide certainty for CLECs despite SWBT's appeals. All CLECs agreed that the section by section MFN option is preferable.

Some of the specific comments the CLECs had about the CIP follow:

- *The CIP fails to include all the UNEs and corresponding rates (i.e. Directory Assistance Listing)*
- *The CIP fails to include any UNE combinations approved in AT&T's arbitrated agreement*
- *The CIP does not use the Commission-approved language of the arbitration decisions*
- *The CIP contains language that is on appeal and thus the CIP is taken by the CLEC subject to future court action*
- *The CIP does not include post July 1, 1998 arbitration decisions*
- *The fact that if a CLEC wishes to modify any portion of the CIP, SWBT reserves the right to make changes as well*
- *See ACI letter filed October 8, 1998, for comments to specific CIP sections*
- *MCI provided specific comments regarding SWBT's CIP in comparison with its agreement with SWBT in a letter submitted October 9, 1998*

The CLECs considered alternatives to the CIP; however, by presenting these alternatives, they are not waiving their preference for section-by-section MFN. The CLECs are preparing a document that will set out, by subject area, the rates, terms and conditions taken from current interconnection agreements, negotiated and arbitrated, that are particularly important to the CLECs. The CLECs believe this information should be posted on the PUC's web site and should be updated as future arbitrated contracts are approved. The CLECs anticipate filing the document on November 13, 1998. Another option suggested by the CLECs is to require SWBT or the CLEC to submit the entire agreement in Word format on a diskette so that the document can be indexed and downloaded from the PUC web site. The most important aspect of this alternative to the CLEC is that SWBT would be required to inform negotiating CLECs of the existence of this document on its CLEC web site and at the beginning of its interconnection negotiations with a CLEC.

Staff Recommendation:

Staff recognizes that SWBT has expended a great amount of effort to meet this recommendation by coming forward with its CIP. Staff notes, however, that SWBT chose not to bring forth a statement of generally available terms because it wanted to reserve its appeal rights. By so doing, SWBT frustrated the very purpose of Recommendations -- to provide a binding agreement that would provide new entrants with certainty irrespective of the outcome of appeals. Unfortunately, Staff believes that the CIP presented during the collaborative work sessions does not get SWBT to yes on these recommendations for several reasons:

- *As set forth above, it does not provide certainty because it is subject to appeal;*
- *SWBT still offers its generic agreement instead of the CIP to CLECs as its first choice in an interconnection agreement;*
- *The CIP fails to include any UNE combinations approved in AT&T's arbitrated agreement;*
- *The CIP does not use the Commission-approved language of the arbitration decisions; and*
- *SWBT does not plan to update the CIP to include post July 1, 1998 arbitration decisions.*

These three recommendations will be MET if SWBT will agree to do the following:

- *Modify the language of the CIP as follows:*
 1. *Include the language that SWBT represented is in most, if not all, of SWBT's existing interconnection agreements that provides that existing terms and conditions will continue during any period of renegotiation and, if necessary, through arbitration until a new agreement is in effect;*
 2. *Instead of including the "spirit" of the various Commission arbitration awards, include the specific Commission approved language;*
 3. *Remove the provision that indicates that UNE combinations will convert to resale upon expiration of the agreement;*
 4. *Remove the provision that the CIP is contingent on the pending appeals;*
 5. *Include the UNE combinations approved in the Mega Arbitration and any UNE combination agreed to by SWBT in this proceeding;*
 6. *Include Commission arbitration awards after July 1, 1998 to the extent such awards represent a decision on a major arbitration issue that has not been previously decide by the Commission, that further defines a provision in previous arbitrations, or that represents the Commission award in a post interconnection dispute resolution.*
- *Notwithstanding the outcome on appeal, agree to abide by the Commission arbitration awards through the term of the contract, including any time for renegotiation, as set forth under Public Interest Recommendation No. 13.*

CLECs have also offered to present the Commission with what it considers to be the major arbitration awards. These alternatives will be provided to the Commission by next week. After they are provided the Commission can decide whether it would be appropriate to place the information on the Commission's web site.

Commission Recommendation No. 12:

SWBT needs to establish that it is following all Commission orders referenced in this recommendation and that it intends to follow future directives of the Commission.

SWBT's Proposal:

SWBT states that it intends to continue to comply with the Commission's arbitration awards. SWBT referenced the CIP discussed earlier.

CLECs' Comments:

AT&T and TCG are concerned with SWBT's lack of commitment to updating the Comprehensive Interconnection Proposal to reflect orders and arbitration awards made after July 1, 1998. Due to this concern, the CLECs raised doubt about the proposal's ability to fulfill Commission Public Interest Recommendation No. 12.

Staff Recommendation:

AT&T Wireless filed a complaint which calls into question SWBT's fulfillment of this Recommendation. AT&T Wireless alleges that SWBT is now including language in every interconnection agreement that states that ISP calls are not local in nature. This complaint has not been adjudicated, so Staff is not in a position to determine whether SWBT is not following this Recommendation. However, as stated under Item 13, Recommendation No. 1, SWBT should abide by the Commission's ruling in Docket No. 18082 and compensate ISP traffic at local interconnection rates contained in its interconnection agreement with AT&T Wireless unless the agreement specifically classifies ISP traffic as nonlocal traffic. Staff will provide an update on the AT&T Wireless complaint at the December 14, 1998 Open Meeting and the Commissioners will decide what SWBT must do to meet this Recommendation.

Commission Recommendation No.13:

SWBT needs to establish its commitment to offering the terms of current interconnection agreements during any period of renegotiation, even if the negotiations extend beyond the original term of the interconnection agreements.

SWBT's Proposal:

Most, if not all, of SWBT's existing interconnection agreements contain language offering existing terms and conditions during a period of renegotiation and, if necessary, arbitration. Some of SWBT's existing interconnection agreements that have already expired continue to operate under existing terms and conditions, including rates, although they are past their expiration date. In addition, the Comprehensive Interconnection Proposal contains language allowing terms and conditions of the CIP to continue during a period of renegotiation. SWBT agreed to follow up on CLEC concerns about UNE combinations after January 22, 2000 by supplementing the record with a statement of position on the issue.

CLEC's Comments:

AT&T expressed concern with language in the CIP General Terms and Conditions §5.5 that states that parties may continue under the existing agreement while negotiating, with the exception of combining UNEs.

"With regard to SWBT combining of UNEs no new orders for combining UNEs will be accepted after January 22, 2000. With regard to previously established combinations, the Parties will negotiate the prospective treatment of these combinations including, as required, a schedule to convert each combination to Resale or to one of the other methods of access set out in Appendix UNE. If such negotiations are not successfully completed by January 22, 2000, SWBT will be authorized to proceed to convert all such combinations to Resale or other methods of access and appropriate charges, if any, will apply." (CIP, General Terms and Conditions §5.5)

AT&T expressed concern that SWBT would attempt to convert any loop & port combinations of AT&T into resale when AT&T's agreement expires. The CLEC coalition also expressed concern about this matter in its position paper on the combination of UNEs. SWBT agreed to follow up on these concerns by supplementing the record with a statement of position on the issue. In addition, Westel asked if the statement of position could address unilateral renewal provisions and UNE combinations.

The CLEC coalition raised concerns that interconnection agreements formed through the MFN process may end on the date when the underlying agreement that was MFNed into expires. SWBT indicated that any agreements obtained through the MFN process contain their own termination provisions.

Staff Recommendation:

Because of the importance of certainty in interconnection contract terms, Staff requested SWBT to state in the record whether it intended to convert AT&T's UNE combo customers to resale at the expiration of AT&T's contract. If SWBT intended to do so, or refused to say that it did not intend to do so, it would seem to call into question the representations they made as to keeping the contract in force during any period of renegotiation. SWBT filed a letter that merely stated the contract terms but did not indicate

that SWBT would not convert AT&T's UNE combo customers (to the extent they have any) to resale at the expiration of the contract. Staff was seeking to get SWBT's construction of the contract terms, not the plain language. This Recommendation will be MET if SWBT indicates that it does not construe the AT&T contract (and any other contracts that contain that same provision) to provide that UNE combo customers will be converted to resale during the period of renegotiation after the contract expires and if SWBT clarifies the record to reflect that the provision in existing interconnection agreements that states that existing terms and conditions will be honored by SWBT during a period of renegotiation and arbitration includes the entire arbitration process. In other words, SWBT needs to clarify that existing terms and conditions will remain in place until the new contract, whether by negotiation or by arbitration, is in place..

Commission Recommendation No.14:

Commission staff, SWBT, and the participants need to establish adequate performance monitoring (including performance standards, reporting requirements, and enforcement mechanisms) during the collaborative process that will allow self-policing of the interconnection agreements after SWBT has been allowed to enter the long distance market.

Staff Recommendation:

This recommendation being addressed in the performance measure section and is contingent upon successful resolution, through the collaborative process, of all of the recommendations in the performance measures section. Based on the work sessions held to date, SWBT has made substantial progress in addressing these recommendations.

Commission Recommendation No. 15:

SWBT shall not use customer proprietary network information to "winback" customers lost to competitors.

SWBT's Proposal:

SWBT indicated that its win-back program is in and will continue to be in compliance with the FCC's CPNI rules. Should the rules change, SWBT will modify its win-back program accordingly. SWBT described the process used for the win-back program. When a SWBT customer disconnects service and changes the service provider, the retail side of SWBT's operations has access to the disconnect records created after the order for the CLEC service is posted to completion. The disconnect reason code along with billing name, address and telephone number are used in initiating the win-back program. SWBT's retail operation does not have access to records of customers that are served by CLECs; its access is limited to former customers that have recently switched from SWBT to a CLEC. SWBT requests customer consent to use CPNI information as part of a customer service representative's contact flow with a customer when the customer first initiates service. SWBT indicated that at the present time the approval sought from the customer to use the CPNI information is for the duration of the call and not a permanent approval. SWBT was willing to notify the Commission of a change in practice in this regard only if all LECs make a similar commitment.

CLECs' Comments:

Westel expressed concern that while it does not receive notice of manual orders posted to completion, SWBT's retail operations may be receiving disconnect records to initiate its win-back program before CLECs receive notification of service order completions. In a letter dated November 4, 1998, MCI claimed that SWBT has initiated a practice of notifying customers with a recorded message of a change of long distance carriers within "a day or so" of processing a customer's request to change long distance carrier. The letter refers to an article in the St. Louis Post-Dispatch that discusses the action by SWBT as a means to combat slamming. MCI, however, contended that this action was unwarranted and had serious anticompetitive implications for the long distance and local market given that SWBT would be a major player in these markets. The script used in the message asks customers to contact SWBT office for future reference by calling a 800 number. The call ends with the statement "we appreciate your business and want you to be very satisfied."

Staff Recommendation:

Met, if SWBT supplements the record to indicate that in the event it chooses to initiate the practice of notifying Texas consumers of a change in long distance carriers, it will implement the practice by filing a tariff and seeking prior approval from this Commission of the script used in the recorded phone message. Staff concludes that SWBT's win-back program does not appear to use CPNI information and is in compliance with the FCC's CPNI rules. Discussion during the collaborative session revealed that there have been petitions for reconsideration to the FCC to rescind the prohibition against using CPNI for win-back marketing. Certain CLECs have urged the FCC in their petitions for reconsideration to include the customer name, address and telephone number in the definition of CPNI so that such information may not be used for win-back programs. Staff recommends that should the FCC modify its rules, SWBT should modify its win-back program to reflect any future changes.

Staff finds that SWBT's practice of requesting customer approval to use CPNI information for the duration of the call only is appropriate. Staff believes that it is appropriate for SWBT to initiate its win-back program after the order for the CLEC service is posted to completion. The issue of ensuring that CLECs receive timely notification of service order completions is being addressed under the OSS recommendations.

With respect to MCI's allegation regarding the automated call to customers, it is not clear if this practice is being implemented in Texas. Staff believes that while the practice of notifying customers of change in long distance carriers appears, in concept, to be an effective method of addressing slamming concerns. However, the script itself raises concerns regarding potential for anticompetitive behavior by SWBT in the long distance market. Staff recommends that, in the event SWBT chooses to initiate the practice of notifying Texas consumers of a change in the long distance carriers, it should only implement this practice in Texas after filing a tariff and upon prior approval from this Commission on the script used in the recorded phone message.

CHECKLIST ITEM ONE: Has SWBT provided interconnection in accordance with the requirements of sections 251(c)(2) and 252(d)(1), pursuant to 271(c)(2)(B)(i) and applicable rules promulgated by the FCC?

Commission Recommendation No. 1:

SWBT shall investigate and implement measures to expedite construction and installation activities both at tandem and end office locations and, in order to provide for a reasonably foreseeable demand, SWBT shall engage in cooperative planning of trunking facilities with a view toward providing parity for CLECs.

SWBT's Proposal:

SWBT stated that although the normal interval for planning, engineering, ordering, and installing a large tandem switch is approximately three years, SWBT has installed two new tandems during the last year. One of them was the Riverside tandem which was installed in 24 months; the other was the Richardson tandem, which was installed in 18 months. The third tandem that will be installed in Fort Worth is on an 18-month schedule. In addition, SWBT has expedited installation of trunks in the end offices.

SWBT explained the process it has established for interconnection trunk planning activity. The current planning activities are divided into two groups: 1) for new CLECs entering into interconnection agreement; and 2) for major changes to existing interconnection agreements. Both activities are conducted on a one-on-one basis. The process for new CLECs is as follows:

- 1) SWBT meets with a CLEC as a part of the initial negotiations meeting for the interconnection agreement. During this activity the parties discuss in general the business plans of a CLEC to establish the general guidelines that provide information on the locations of interconnection facility or trunks.

- 2) The joint planning process begins after the signing of the contract, and it flows into the cooperative planning and work sessions to get down to details. In this process detailed technical discussions are held by experts of both companies. During this meeting detailed trunking diagrams, routes such as tandem or end office, quantity and types of trunks, trunk forecasts and desired due dates are established.

- 3) Based on the outcome of the planning session, SWBT will initiate a project to begin the ordering process which leads to implementation.

The process for major changes to existing contracts are as follows:

- 1) Projects are triggered by amendment to an existing interconnection agreement, or a major change in CLEC network architecture, or through a request from a CLEC to the SWBT account manager for a major augment.

- 2) The joint planing meeting is conducted through work sessions to discuss specific projects, forecasting, and network architecture details and plans.

- 3) Based on the outcome of the meeting SWBT will inform CLECs to begin an ordering process in order to implement the project.

SWBT stated that CLECs should provide interconnection trunk related information five days prior to the cooperative planning session in order to have adequate time to obtain pertinent information for planning discussions during the meeting.

SWBT stated that it sent individual letters to CLECs in April 1998 requesting current forecast information. SWBT also stated that it requires forecasts from CLECs twice a year. However, it does not preclude a CLEC from making changes any time during the reporting period, if required.

SWBT sent an accessible letter to all CLECs on 6/18/98, which outlines the forecast format.

SWBT stated that as a part of the forecasting process with some CLECs, it conducted a special study to capture singular code traffic, provide real time data for 5-day interval, and reconfigure the requests for DS-3 trunks from tandem to other facilities by trimming the forecast. SWBT used system engineering traffic data to distribute CLECs traffic, and relieved traffic off of SWBT's tandem.

SWBT stated that held orders have been reduced significantly; for example, there were 2,333 held orders during March 1998, and only 216 during August 1998. SWBT stated that through extensive efforts it cleared held orders: 1) by offering 1-way trunks for voice when two-way trunks were not available; 2) by having an action plan and relief methods; 3) by establishing short-term capacity management teams in metro tandems; 4) by establishing a first-come, first-served method to assign trunks; and 5) by notifying CLECs about capacity shortages so that other arrangements could be made.

SWBT also stated that the capacity shortages can be attributed to: 1) low utilization rate of trunks by CLECs due to unreadiness of their switching facilities; 2) lack of specifics in forecasts; and 3) not having adequate lead time to engineer, order, install, and turn up capacity.

SWBT stated that the CLEC utilization rate of trunks is at 60% to 70%, in comparison to SWBT's utilization rate of 76% to 90%, and IXC's average of 77% to 88%. SWBT noted that over 7,982 trunks are awaiting CLEC turn-up currently, and that there is no revenue generated over those trunks for mutual compensation.

SWBT stated that it provides network traffic information by means of electronic exchange of traffic data (DIXC reports), which provides weekly data exchange for two-way trunks.

SWBT stated that it issues Trunk Group Servicing Requests (TGSRs) to CLECs when interconnection trunks are approaching 75% or exceeding capacity, which is an industry standard process. In response to TGSR, CLECs or the party that has control over the originating traffic are expected to respond with an order in 10 - 20 days. TGSRs also issued to notify CLECs to down-size underutilized trunk groups with excess spare.

SWBT stated that routine working time for processing an ASR (Access Service Request) for additional trunking is 20 days.

SWBT stated that SWBT's forecast of its own trunks are based on historical trends and the effect of technological change on the utilization of the public switched network.

SWBT stated that the trunk forecast group consists of some members of its engineering group and that the marketing group will not have access to CLECs' forecasts.

SWBT stated that DIXC reports are for two-way trunks, and therefore the traffic information should be provided by both SWBT and the CLEC. If smaller CLECs have difficulties in providing electronic exchange of traffic information, SWBT will be willing to work with them.

SWBT stated that it will consider and review any proposal by CLECs concerning the establishment of a forum that establishes guidelines for trunk forecasts and other cooperative planning related issues.

Supplemental Information:

SWBT stated that it would agree to the establishment of a user group to discuss trunk planning in addition to other issues. SWBT in fact already has an established a user group and proposes that the trunk planning issue can become part of the agenda of the existing user group, rather than establishing a separate project for trunk planning as suggested by CLECs.

SWBT agreed that the user group should be long term and ongoing, similar to the current Local Number Portability Network Operations Group, and that SWBT will co-chair the group with a CLEC representative. SWBT agrees that the PUC Staff may participate only to resolve disputes or an impasse between the parties and SWBT. However, the PUC Staff need not be there at all times. The user group should focus on investigating and resolving common industry problems, including such things as interconnection operational measures.

SWBT stated that it does not see a need for the consolidated forecast, and in fact, sees some real dangers as related to antitrust. SWBT stated that it would prefer not to have the consolidated trunk forecast data itself, but it is a necessity if SWBT is required to provide all trunking.

CLECs' Comments:

MCI stated that the one-on-one process is working well. MCI also stated that it agrees with the other CLECs that a forum made up of all CLECs and SWBT to consider the impact of trunk forecasts, trunk usage, trunk shortages, and potential network blockage, etc. is a good idea.

The CLEC coalition stated that they are seeking an opportunity to engage in the planning of the network that is shared by all CLECs and SWBT. The preferred way of cooperative planning should be in an open forum rather than a binary approach that SWBT has currently in place. During the week of 9/21/98, the CLECs will provide in writing their suggested plan (in detail) of the forum. The forum may also include Commission staff as the mediator in the event there is an impasse on certain issues of interest to the parties in regard to trunk forecasting, and jeopardy notifications. One of the purposes of the forum should be to establish a form of communication that maps out where the bottlenecks and shortages of trunking facilities are or can be expected. One way of disseminating this information in a forum is to have a map of all end offices, tandems and interconnected trunk facilities that indicate utilization level by means of color coded alerts and status updates. For example, a green code for a route would indicate availability of a substantial quantity of trunks, a yellow code would indicate trunks are running out, and a red code would indicate that no more trunks are available.

MCI stated that its forecast is based on sales and marketing activity. In its traditional IXC environment the forecasting event is a two-year activity, for which it has historical data. In contrast, in the new CLEC environment MCI does not have sufficient data from the past to come up with reasonable trunk forecasting. MCI will not have any problem with considering SWBT's data as it relates to average busy-hour, busy season, or average holding time in order to come up with a reasonable trunk forecast.

AT&T stated that the one-on-one process as related to joint planning should not be limited to projects triggered by a CLEC; the triggering event should also include any major change in SWBT's network architecture. AT&T also stated that AT&T and TCG are interested in getting to an environment in which, instead of SWBT making all the decisions for the community as a whole, all CLECs would be participants in evaluating the demand and the capacity constraints. One of the concerns that needs to be addressed has to do with the competitively sensitive nature of individual forecasts. CLECs will address the issue as they tender the proposal for the forum.

TEXALTEL stated that the aggregated forecast data should be made available so that CLECs have the same opportunity to design their networks with knowledge of the aggregated demand as SWBT does. In addition SWBT should establish a clear cut procedure for notifying CLECs in the event they are not able to meet the forecast after an ASR is issued.

Supplemental Information:

Time Warner commented that the purpose of cooperative planning is to have more information than what is provided today, to have the same amount and types of information that SWBT has available in its own planning process. Information such as SWBT's plans on replacing 5E or 1A switches, or a tandem switch. Through this user group, CLECs should have information on consolidated forecasts, and jeopardy situations in order to manage their side of the business.

Nextlink stated that it still requires some sort of general notification process which provides a complete picture of the network. What CLECs are really asking for is a level playing field, with the ability to be on an equal footing with SWBT, so they can begin to plan what is really a shared public switched network.

AT&T pointed out that there are also concerns about SWBT having access to all CLECs' forecasts on an asymmetric basis.

In response to Staff's concern regarding the over-construction of trunk facilities, the CLECs generally stated that they were not asking for over construction, that the ultimate decision to build would be SWBT's and therefore, SWBT would bear the benefit or bear the cost related to under or over construction.

TEXALTEL stated that the bottom line is to have as much information as possible, prior to submitting an ASR based on the likelihood of getting the forecasted needs.

Staff Recommendation and Follow-Up:

Met if SWBT develops a forum for planning trunk facilities. In addition to what SWBT agreed to above, more specifically, Staff finds that this recommendation has been met partially in terms of establishing a

one-on-one process for planning trunk facilities. In addition Staff concurs that a forum should be established to determine the jeopardy situations of trunk facilities and to evaluate aggregate forecasts and capacity constraints. Any forum that is established should also include PUC Staff from the public interest perspective as related to reliability and availability of the public switched network.

Staff finds that SWBT has expedited the tandem installation process from a normal 3-year process to an 18 - 24 month process. Staff recommends that SWBT continue to expedite the tandem switch construction process in other locations in the same manner as it has done for the three tandems in Riverside, Richardson, and Fort Worth.

CLECs shall provide detailed plans for the forum for cooperative trunk planning by 9/25/98.

Supplemental Staff Recommendation:

Staff notes that SWBT has agreed to participate in the industry user group in the same fashion as it does for the current Local Number Portability Network Operations Group. Staff concurs that this user group should be co-chaired by both SWBT and a CLEC representative. Staff also concurs with SWBT that the scope of discussions affecting the industry should not be limited to trunk forecasting and trunk planning. Staff recommends that the user group should also focus on investigating and resolving common industry problems, including such things as interconnection operational measures. Staff, while sharing the concerns expressed by AT&T about SWBT having access to all CLECs forecasts on an asymmetric basis, notes that because SWBT is providing the trunks, it is necessary for SWBT to have that information. (However, the forecasts should only be available to SWBT personnel working on trunk facilities who need the information, and not to others, such as marketing or regulatory personnel.) Nevertheless, Staff concurs with Time Warner that the purpose of cooperative planning is to have more information than what is provided today, to have the same amount and types of information that SWBT has available in its own planning process.

Staff is therefore concerned with SWBT's position that there is no need to share with the CLECs the consolidated forecast. Staff believes that this information is necessary for CLECs' business planning and to prepare ASRs to meet their needs; therefore, CLECs should also have access to the consolidated forecasts.

Staff notes that SWBT will meet the Commission's recommendation if it agrees to and implements the following:

- 1. SWBT shall provide consolidated forecasts as a part of the cooperative planning process during the user group meetings, to the extent that SWBT believes that a particular forecast is duplicative, it shall make adjustments to the consolidated forecast. If SWBT makes adjustments to the consolidated forecasts, it shall state the amount of adjustment it has made to a given route or a switching office without revealing a specific CLEC's forecast.*
- 2. SWBT shall conduct the user group meetings discussed above at a scheduled time on a monthly basis, unless a certain emergency requires meeting on an ad-hoc basis.*
- 3. SWBT shall establish a system of communication that maps out where the bottlenecks and shortages of trunking facilities are or can be expected. This information shall be disseminated during the user*

group meeting by means of a map or a set of representative diagrams that shows all end offices, tandems and interconnected trunk facilities' utilization level through color-coded alerts and status updates. For example, a green code for a route would indicate availability of a substantial quantity of trunks, a yellow code would indicate trunks are running out, and a red code would indicate that no more trunks are available.

Supplemental Follow-Up:

- 1. CLEC participants and SWBT meet to discuss agendas for future Facilities User Group meetings and procedures for interaction regarding planning matters, and schedule and begin the meetings of the group. A date is established in December, 1998 for the first meeting of the Facilities User Group. SWBT provides consolidated forecasts and details of its construction and installation plans as discussed above. CLECs discuss specific concerns.*
- 2. Participating CLECs and SWBT provide the Commission with a memorandum by January 1, 1999, detailing the issues and items discussed during the Facilities User Group meeting, and addressing whether the Facilities User Group comports with the Staff recommendation.*

Commission Recommendation No. 2:

The physical collocation tariff should be amended to be made available to any CLEC that wants to physically collocate in SWBT's facilities. A CLEC should be allowed to use the tariff without going through the MFN process in Section 252(i) of FTA96.

SWBT's Proposal:

SWBT has filed in the arbitration dockets an amended physical collocation tariff that makes that tariff generally available to all CLECs. By filing that tariff, SWBT has subjected those amendments to the approval authority of the Commission.

Supplemental Information:

SWBT advised that only one office in Texas does not currently have space for CLEC physical collocation (Farmers Branch - Dallas) and that it expects to make physical collocation space available in this office during 1999.

SWBT filed a letter on November 13, 1998, in response to Staff's request for the underlying data on the percentage of collocations that have been completed in a timely manner by SWBT. In the letter SWBT stated that, as of September 30, 1998, 18 CLEC customers have been provided with a total of 166 operational collocation spaces in 70 wire centers in Texas. 60 more cages are either under construction or have been recently completed during the 4th quarter of 1998. SWBT stated that it had successfully completed the construction of 94 cages between March and September 30, 1998, with each one being delivered on or before the construction interval agreed upon by SWBT and the CLEC. The average build-out interval for this period is 63 days.

CLECs' Comments:

CLECs asked some general questions relating to transitioning from the terms of a CLEC's existing agreement to the tariff terms. In response, SWBT stated that a CLEC can transition to the new tariff. The rates would be those that the collocation was created under; however, any alterations can be governed by the intervals in the tariff.

Supplemental Information:

AT&T and TCG expressed concerns regarding implementation of SWBT's tariff and whether uniform procedures and practices are well established within SWBT. WinStar and e.spire expressed concerns regarding intervals (implementation, repair and maintenance) for physical collocation as well as virtual collocation. TCG raised two implementation concerns regarding the Physical Collocation Tariff. First, that the technical publication and tariff appear to be in conflict, and second, that processes, particularly timeframes, reflected in the tariff are not being met. However, TCG indicated SWBT had made a commitment to make the tariff and technical manuals compliant and to work with them on improved processes. The CLEC Coalition expressed its concern regarding SWBT's prohibition of collocation equipment which provides switching or enhanced services functions, and believes any equipment which is state-of-the-art and meets the established criteria for collocation, provision of access to UNEs and access service, should be allowed.

Nextlink and the CLEC Coalition expressed concerns about the transition of equipment from virtual collocation to physical collocation. Nextlink does not want to move equipment which it has established at SWBT offices to a new caged or segregated location if that is established by SWBT as a result of these proceedings. NextLink did note however that it had been very satisfied with its SWBT Collocation Account representative's "creative" solutions to problems they'd encountered while arranging collocation implementation with SWBT. The CLEC Coalition also requested that a CLEC be able to, at the time space becomes available, convert any existing virtual collocation arrangement into a physical arrangement. Title to the equipment would be transferred back to the CLEC. The issue of which charges and terms in the Physical Collocation Tariff should apply should be resolved. CLECs should not be required to go through the same timeline and to pay nonrecurring charges again for the same functions when converting from virtual to physical collocation arrangements.

The CLEC Coalition expressed concern that every page of the Physical Collocation Tariff contains a twelve line statement that the tariff is filed by SWBT "under protest" and SWBT reserves its rights and does not waive its legal arguments regarding the Commission's mega-arbitration ruling. The CLEC Coalition believes the language is inappropriate if SWBT is relying on the tariff to demonstrate compliance with Section 271, and should be removed.

Staff Recommendation:

Met if approved in Docket No. 19000. By filing the amended language and subjecting that language to the Commission's approval authority it appears as if SWBT has taken all the steps it can to meet this recommendation. Moreover, SWBT's clarification that a CLEC's alterations to preexisting collocation arrangements would be governed by the tariff intervals is consistent with the intent behind this recommendation.

Supplemental Staff Recommendation and Follow-Up:

On July 16, 1998, SWBT's proposed physical collocation tariff was approved in compliance with the Commission's arbitration awards and modifications related to the Motion for Clarification submitted by Teleport Communications Group, Inc. (TCG). On September 10, 1998, SWBT filed revisions to comply with the Commission's recommendations in this proceeding (Project No. 16251). On October 2, 1998, the Order Approving SWBT's Modification to Physical Collocation Tariff was issued in Docket No. 19000, approving the tariff with the September 10, 1998, modifications.

However, Staff believes that the concerns of Nextlink and the CLEC Coalition relating to the transition of equipment from virtual collocation to physical collocation must be addressed before this recommendation is satisfied. Staff notes that SWBT must resolve the issue of transition of equipment from virtual collocation to physical collocation before this recommendation is met.

Staff is also concerned about SWBT's prohibition of collocation equipment which is capable of providing switching or enhanced services functions, and believes any equipment which is state-of-the-art and meets the established criteria for collocation, provision of access to UNEs and access service, should be allowed. Staff notes that SWBT must resolve the issue of types of equipment that can be collocated before this recommendation is met. This issue is addressed further under the Supplemental Commission Recommendation for Item No. 1. Staff is also concerned that the tariff contains "protest"

or appeal language by SWBT, which creates unnecessary risk and uncertainty for CLECs who are required to invest in collocation.

Finally, Staff notes that the issue regarding timeframes, policies, and methods and procedures for ordering, engineering, procuring, and provisioning of physical and virtual collocation must also be resolved before checklist item one is met. The processes to be addressed include reservation of space, use of third party engineers, SWBT's use of CLEC forecasts in planning out the need for future space for collocation, and SWBT's internal guidelines for review of collocation applications.

Staff notes that this item was originally under the Public Interest section, but was moved to the collocation recommendations due to timing of various work sessions.

Met if SWBT agrees to and implements the following:

- 1. SWBT's shall file a plan (methods, procedures, pricing) that is acceptable to the Commission for the handling of equipment already collocated at SWBT offices, i.e., conversion from virtual to physical collocation;*
- 2. Resolution under the Supplemental Commission Recommendation for Item No. 1 of the issue of types of equipment that can be collocated;*
- 3. The following actions, which were discussed and agreed to at the October 29, 1998 work session:*
 - a. By November 16, 1998, CLECs will file a response to SWBT's November 9, 1998 filing on timeframes, policies, and methods and procedures for collocation;*
 - b. SWBT and CLECs shall meet before Thanksgiving to discuss the timeframes, policies, and methods and procedures for ordering, engineering, procuring, and provisioning of physical and virtual collocation and shall file a joint report on the meeting by December 4, 1998;*
- 4. Once the timeframes, policies, and methods and procedures for collocation are agreed upon by SWBT and CLECs, SWBT shall place the information on its website so that it is available to all CLEC customers and notify the Commission of the date when the information will be available on the website; and*
- 5. SWBT's removal of the protest/appeal language in the Physical Collocation Tariff.*

Commission Recommendation No. 3:

SWBT shall implement a cost-based virtual collocation tariff available to all CLECs.

SWBT's Proposal:

On October 13, 1998, SWBT submitted a Virtual Collocation Tariff as part of its Stipulation and Agreement in Docket No. 19000, Implementation of SWBT's Interconnection Agreements with AT&T and MCI and Petition of Teleport Communications Group, Inc. For Arbitration To Establish An Interconnection Agreement. SWBT asserted that this Virtual Collocation Tariff incorporates rates based upon those in SWBT's approved Physical Collocation Tariff. In addition, the tariff incorporates a number of terms and conditions requested by participating parties in Project No. 16251: a CLEC equipment buy back option; clearly defined terms for the purchase of UNEs; training for SWBT technicians; and provisions for CLEC selection of installation and maintenance providers.

SWBT has stated that its proposed Virtual Collocation Tariff provides rates with a range as low as \$0.35 to \$0.50 per line plus initial costs of approximately \$18 to \$34 per line resulting in initial costs for installation of a "small system" of approximately \$11,000. SWBT believes the Virtual Collocation Tariff proposed in Docket No. 19000 allows CLECs to control their "big ticket" items by purchasing equipment on the open market, transferring ownership of the equipment to SWBT and then purchasing the equipment back from SWBT. CLECs may choose an installation vendor (from SWBT's approved vendors), negotiate their terms and timing and have maintenance performed by SWBT personnel on an hourly basis. In addition, CLECs may alarm equipment themselves under the proposed tariff.

CLECs' Comments:

Comments on SWBT's Virtual Collocation Tariff proposal were filed by the CLEC Coalition, Intermedia, and TEXALTEL.

The CLEC Coalition expressed concern that the Stipulation and Agreement between SWBT, AT&T and MCI explicitly provides that the agreed rates for virtual collocation are not cost-based and that the result does not "necessarily represent the position of any settling party." [AT&T stated during the October 29, 1998 work session that roughly 30% of the rates in the Virtual Collocation Tariff were negotiated and not purely cost-based.] The CLEC Coalition and TEXALTEL also expressed concern that the tariff will contain appeal language by SWBT, and is therefore SWBT should not be permitted to rely on the tariff to satisfy Section 271 requirements.

One broad concern is that the terms between SWBT, AT&T and MCI will, in all likelihood, become the industry norm and SWBT will not be willing to vary from the tariff in negotiations with any other CLEC. The CLEC Coalition's concerns relating to costs are somewhat alleviated so long as CLECs are not required to use the tariff, and so long as SWBT provides cost information related to virtual collocation on request. The CLEC Coalition is also concerned that the language in the stipulated tariff could be read to limit virtual collocation to access to UNEs and not for interconnection, and urges the Commission to ensure that the Virtual Collocation Tariff may be used for interconnection under § 251(c)(2) as well as and independent from access to (or interconnection with) UNEs under § 251(c)(3).

In addition, the CLEC Coalition commented regarding its concern that SWBT does not allow state of the art equipment to be collocated if it is capable of switching or providing enhanced services. SWBT is adamant on this point. However, the CLEC Coalition points out that this restriction may prevent CLECs from using the best equipment for its operations. The CLEC Coalition requests that the Commission explicitly state that any equipment that is used for the purpose of interconnection and access to UNEs may be virtually collocated, even if it also performs switching or enhanced functions. TEXALTEL also was concerned about limitations SWBT places on types of equipment that may be collocated. TEXALTEL stated that SWBT has refused all requests for "approved" lists or "denied" lists or any other means of permitting CLECs to formulate business plans relating to equipment.

The CLEC Coalition is concerned that they have not yet seen a technical publication that implements the stipulated tariff, because the tariff incorporates an as-yet unseen document, and that document may not correctly implement the letter or spirit of the tariff, the Commission's orders or FTA96. To address this concern, the CLEC Coalition suggests that the Commission provide that approval of the tariff does not necessarily connote approval of the technical publication, and that any CLEC who subscribes to the tariff may raise the issue of whether the technical publication properly implements law, policy and the tariff.

The CLEC Coalition expressed concerns regarding transitioning of equipment from the virtual collocation environment to the physical collocation environment, and also requested that a CLEC be able to, at the time space becomes available, convert any existing virtual collocation arrangement into a physical arrangement. Title to the equipment would be transferred back to the CLEC. The issue of which charges and terms in the Physical Collocation Tariff should apply should be resolved. CLECs should not be required to go through the same timeline and to pay nonrecurring charges again for the same functions when converting from virtual to physical collocation arrangements.

Intermedia and TEXALTEL request that the Virtual Collocation Tariff be amended to permit CLECs to hire SWBT-approved third party independent contractors to maintain and repair equipment. Further, SWBT shouldn't be able to require a security escort when the SWBT-approved contractor is performing the work unless such escort are required when SWBT-approved contractors work on SWBT's other equipment. SWBT should be required to certify CLEC personnel as approved contractors, as long as the CLEC technicians meet the same standards and pass the same tests that SWBT requires of other approved contractors. These measures will eliminate the need for CLECs to train SWBT personnel to work on their equipment -- the singlemost costly, burdensome and unnecessary regulation imposed upon virtually collocated CLECs.

Intermedia and TEXALTEL request that the Commission eliminate the requirement that virtually collocating parties transfer ownership of their equipment to SWBT because it is inconsistent with current law. TEXALTEL raised the issue that many smaller carriers obtain manufacturer financing on equipment in which the lender requires a lien on the purchase equipment. If CLECs are required to transfer unencumbered title to SWBT when virtually collocating, virtual collocation will effectively be eliminated as an option for some carriers.

Intermedia and the CLEC Coalition also expressed concern regarding the availability of the Virtual Collocation Tariff to CLECs not a party to Docket No. 19000. They request that the tariff be available to all CLECs at the same time as it becomes available to the stipulating parties.

Comptel objects to training SWBT technicians and notes that the CLEC loses control over the technician because SWBT is the employer. Nextlink noted its concern that the trained SWBT technician is not working on the CLECs' equipment on a regular basis and therefore may not respond as quickly as a technician having everyday contact with the equipment. TEXALTEL also expressed concerns about training costs.

Staff Recommendation:

Not addressed yet. Will not be able to finalize until after the September 29, 1998 hearing in Docket No. 19000, and the October 2, 1998 work session in this project.

Supplemental Staff Recommendation and Follow-Up:

Order approving the Virtual Collocation Tariff was filed in Docket No. 19000.

Staff is concerned that some of the agreed rates in the Virtual Collocation Tariff are not cost-based, and therefore CLECs should have an opportunity to review underlying cost information for those rates in the Virtual Collocation Tariff for which the Commission-approved physical collocation rates were not used.

Staff is concerned about the protest/appeal language by SWBT in the tariff and believes it should be removed because it creates uncertainty and risk relating to CLEC investment in collocation arrangements.

Staff is concerned regarding the availability of the Virtual Collocation Tariff to all CLECs. There was a seven month interval between the date the Physical Collocation Tariff was approved by the Commission and the date when it became generally available to all CLECs.

Staff is concerned regarding the transfer of title issue raised by several participants including TEXALTEL and Intermedia. Staff suggests that transfer of title may not be necessary, and SWBT should consider, at least for the interim when a CLEC has a lien on the equipment, that title remain with the CLEC.

Staff is concerned about SWBT's prohibition of collocation equipment which is capable of providing switching or enhanced services functions, and believes any equipment which is state-of-the-art and meets the established criteria for collocation, provision of access to UNEs and access service, should be allowed. As stated under Commission Recommendation No. 2, SWBT must resolve the issue of types of equipment that can be collocated before this recommendation is met. [This issue is addressed further under the Supplemental Commission Recommendation for Item No. 1.]

As stated under Commission Recommendation No. 2, the issue regarding timeframes, policies, and methods and procedures for ordering, engineering, procuring, and provisioning of physical and virtual collocation must also be resolved before checklist item one is met. The processes to be addressed include reservation of space, use of third party engineers, SWBT's use of CLEC forecasts in planning out the need for future space for collocation, and SWBT's internal guidelines for review of collocation applications. [Staff notes that this item was originally under the Public Interest section, but was moved to the collocation recommendations due to timing of various work sessions.]

Met if SWBT agrees to and implements the following:

- 1. SWBT shall make the Virtual Collocation Tariff available to all CLECs at the same time as it becomes available to the stipulating parties in Docket No. 19000;*
- 2. SWBT shall not include protest/appeal language in generally available Virtual Collocation Tariff;*
- 3. Upon request from a CLEC to virtually collocate, SWBT shall provide the underlying cost information for those rates in the virtual collocation tariff for which the Commission-approved physical collocation rates were not used;*
- 4. SWBT shall negotiate alternative arrangements relating to transfer of title in situations where a CLEC's equipment is financed and encumbered by a lien;*
- 5. Resolution under the Supplemental Commission Recommendation for Item No. 1 of the issue of types of equipment that can be collocated; and*
- 6. The following actions, which were discussed and agreed to at the October 29, 1998 work session:*
 - a. By November 16, 1998, CLECs will file a response to SWBT's November 9, 1998 filing on timeframes, policies, and methods and procedures for collocation;*
 - b. SWBT and CLECs shall meet before Thanksgiving to discuss the timeframes, policies, and methods and procedures for ordering, engineering, procuring, and provisioning of physical and virtual collocation and shall file a joint report on the meeting by December 4, 1998; and*
- 7. Once the timeframes, policies, and methods and procedures for collocation are agreed upon by SWBT and CLECs, SWBT shall place the information on its website so that it is available to all CLEC customers and notify the Commission when the information is on the website.*

Staff notes that CLECs' concerns relating to the inability of the CLEC to maintain virtually-collocated equipment are addressed under the Supplemental Commission Recommendation for Item No. 1.

Commission Recommendation No. 4:

SWBT shall allow CLECs to buy equipment from non-SWBT entities, and in turn, sell the equipment to SWBT in order to reduce the CLECs' costs.

SWBT's Proposal:

SWBT's current collocation tariff meets this recommendation. If a CLEC provides the lowest bid (and this could be a CLEC low-balling the price (\$1) to make sure its equipment is chosen), the CLEC has the ability to "buy equipment from non-SWBT entities, and in turn, sell the equipment to SWBT in order to reduce the CLECs' costs."

Supplemental Information:

On October 29, 1998, SWBT stated that the negotiated Virtual Collocation Tariff in Docket No. 19000 allows a CLEC to purchase equipment of its choice and transfer the title to SWBT for an agreed upon nominal fee, subject to the buy back option for the same equipment by the CLEC for the same nominal fee.

CLECs' Comments:

CLECs raised two concerns: (1) ambiguity in the tariff language relating to "least cost provider;" and (2) that there is no reduction in the recurring rates when the CLEC provides the equipment at a nominal charge.

Supplemental Information:

CLECs were unclear about the intent of the language in the Virtual Collocation Tariff that stated a CLEC "may" transfer title of virtually collocated equipment to SWBT. SWBT stated that the language was permissive as to the amount of money for the purchase and transfer of title to SWBT.

Staff Recommendation:

The specific recommendation that SWBT allow CLEC's to provide their own equipment is met. Any contended ambiguity in the tariff was clarified by SWBT in the collaborative hearing. However, the broader intent of the recommendation may NOT be met. In other words, it is not clear that CLECs have the ability to provide their own equipment to "lower" their costs when the same non-recurring charges apply. It is Staff's recommendation that this recommendation be tabled until after the September 29, 1998 hearing to see if this is an issue with SWBT's new permanent cost-based virtual collocation tariff.

Supplemental Staff Recommendation:

Met. The Virtual Collocation Tariff approved in Docket No. 19000 contains provisions that satisfy this recommendation.

Supplemental Commission Recommendation for Item No. 1:

Alternative physical collocation arrangements and an alternative physical collocation tariff shall be addressed during the collaborative process.

SWBT's Proposal:

SWBT will voluntarily make a proposal for an alternative physical collocation tariff. The proposal will be made in writing on or about September 21, 1998, and discussed at the October 2, 1998 work session.

Supplemental Information:

As an alternative arrangement, SWBT proposes the establishment of a separate conditioned location within each central office provided with a separate entrance and security as requested by the CLECs (shared space collocation). This separate room would be available for CLECs to use as they see fit including as a cageless environment wherein they may collocate among themselves, and sub-lease facilities.

SWBT contends that shared collocation is possible under the existing Physical Collocation Tariff in that CLECs are able to sublease space within their caged environment to other CLECs.

SWBT stressed its concern regarding the reliability of its network and its ability to serve its own customers, including the CLECs. SWBT proposes to explore the option of the separate conditioned space for collocators provided there is demand for such a common area and that there are rates which have been worked out in the Physical Collocation Tariff, and in the Virtual Collocation Tariff in Docket No. 19000 for such an arrangement. SWBT is reluctant to initiate such activities until such time as CLEC demand can be ascertained. SWBT offered an example, for discussion purposes, of specific rate applications for the development of a shared separate conditioned CLEC space.

SWBT maintains that the "extended link" exists in many of its Texas Interconnection Agreements in as much as multiplexers are provided with transport; however, SWBT regards this as an unbundling issue and not one related to collocation. SWBT notes that the CLEC without a specific provision for such bundling in its interconnection agreement still has the option of combining these elements itself.

SWBT states that the Virtual Collocation Tariff in Docket No. 19000 recognizes the option for collocators to obtain their equipment from SWBT through buy-back and that this will allow a smooth transition for the CLEC from virtual to physical collocation and vice versa.

SWBT believes the FCC has made it clear that the ILEC is not required to allow collocation of switching equipment or equipment for enhanced services, but states it allows collocation of remote switching modules in Texas and allows voice and non-voice transmission equipment to be collocated.

To support its concerns relating to central office security, its ability to provide service and its ability to meet Commission service quality requirements, SWBT presented anecdotal examples of incidents of security infractions by CLEC employees/contractors.

CLECs' Comments:

CLEC participants propose "cageless collocation," also referred to as "common space collocation," wherein their facilities and SWBT's will occupy the same conditioned space within Central Offices. The participants maintain that the cageless, non-segregated environment works in other venues (e.g., internet facilities, long distance providers, and multiple CLECs) and that SWBT's fears for security in a cageless common collocation environment are unwarranted and may be handled via card entry or log entry by CLEC personnel, as well as certification of technicians. CLECs stated that cageless collocation significantly reduces the cost of collocation, increases its availability, and gives CLECs better control of maintaining, repairing and upgrading their equipment.

Westel notes that only "common space collocation" resolves the CLECs' concerns regarding problems with SWBT's interpretation of its physical and virtual collocation tariffs. MCI noted that "cageless" collocation is available in U.S. West territory today and that other states, such as New York are looking into this.

CLECs are willing to waive SWBT's liability on performance measures that would be affected by any actions of CLEC technicians in a cageless collocation environment. Nextlink has carriers collocated in its offices and the collocators are located separately from Nextlink in a walled area, except that Nextlink absorbs the cost of the partitioning/separation, and does not require a collocator to pay for the separation. Taylor Communications stated that it offers collocation recurring rates that are similar to those proposed by SWBT, but it does not impose a nonrecurring charge like SWBT.

Enhanced Extended Loop (EEL)

In addition, CLECs propose bundling of the loop to the transport/multiplexer UNE for the creation of a UNE which would be called the "extended link" (also referred to as the "extended loop," the "enhanced extended loop" and the "expanded extended loop" (EEL)). The extended link option will make it possible for CLECs to avoid the need for multiple collocations -- allowing collocation at one Central Office which then accesses numerous others. Because the Commission has allowed the bundling of the transport and multiplexer, the participants believe the next step is the creation of the bundled extended link. The extended link would eliminate the need for facilities-based CLECs to collocate at every SWBT central office within an exchange, and therefore provides an alternative to collocation.

AT&T and TCG note that arrangements under current interconnection agreements which provide for the "extended link" would appear to expire with those contracts terms. AT&T and TCG want to make certain that there will continue to be a rate for CLECs to order unbundled network elements combinations but acknowledged there is legal controversy (pending appeals) related to this.

Transition from Virtual to Physical Collocation

Further the CLEC Coalition is concerned about the lack of information relating to the transition from virtual collocation to physical collocation. The CLEC Coalition suggested that the Commission ensure that virtually collocated CLECs are able to convert to a physical arrangement on a timely basis without the imposition of non-cost based charges.

Costs and Security Measures

Nextlink stated that it was encouraged by SWBT's willingness to accept some form of cageless collocation but believed the CLEC should not be burdened with additional costs for the creation of a separate conditioned space and that the option should be generally available.

CompTel stated that the level of security that SWBT insists upon for its offices, which prohibits the "common" space arrangement desired by CLECs, is not consistent with industry standards and should not entail additional costs for the CLECs - the costs should be SWBT's. The CLEC Coalition also stated that CLECs should not be required to pay for this higher level of security which SWBT demands, but which the industry does not. The cost for "partitioning the CLECs" should be viewed as the cost to "isolate SWBT," and, like any other carrier desiring a "caged" environment to secure its equipment, SWBT should be required to bear the cost.

Nextlink notes that many of the concerns SWBT expresses regarding the presence of CLEC personnel in its offices already exist in that central offices are subject to cleaning crews and other personnel's presence today. CLECs also noted that SWBT does not require that it supervise collocation on poles, ducts and conduits. e.spire noted that the level of security SWBT is proposing is higher than that required for the White House telecommunications office.

Nextlink, e.spire, Intermedia, Sprint, Covad, Westel, AT&T, TEXATEL, and MCI all agreed, as long as they have input into the criteria, language, and development of the following, that SWBT's security concerns relating to cageless common collocation can be alleviated:

- 1. If a CLEC employee/contractor technician follows the same rules and standards that SWBT technicians must follow;*
- 2. If a CLEC agrees with SWBT on procedures, etc., relating to what would happen if there are central office security/safety infractions by CLEC technicians, e.g., type of disciplinary action for violation, disciplinary action of CLEC (repeated offenses may result in revocation of CLEC's right to collocate);*
- 3. If there is agreed language in the interconnection agreements with SWBT that the CLEC agrees to indemnify SWBT from any damage the CLEC technician may cause in the central office by a breach of safety/security rules (e.spire requested that similar indemnification be given by SWBT to the CLEC in case a SWBT technician's infraction harms a CLEC).*

SWBT's Policy on Reservation of Space

The CLEC Coalition expressed concerns relating to the reservation of central office space by SWBT and the potential for abuse. The CLEC Coalition recommended that the Commission ensure SWBT's compliance with the FCC's order on reservation of space by an ILEC.

Timeframes and Procedures

The CLEC Coalition also suggested that the timeframes and procedures for ordering and provisioning of collocation space be addressed by the Commission, since there is currently a lack of detail and a great deal of uncertainty relating to those issues.

Types of Equipment to be Collocated

The CLECs also expressed concerns relating to unnecessary restrictions on the type of equipment that competing carriers may collocate in a SWBT central office. For example, the collocation of remote switching modules (RSMs), Digital Subscriber Line Access Multiplexers (DSLAMS), ATMs and routers (which can include packet switching equipment) should be permitted.

Effect of Appeals

The CLEC Coalition expressed concern that every page of the Physical Collocation Tariff contains a twelve line statement that the tariff is filed by SWBT "under protest" and SWBT reserves its rights and does not waive its legal arguments regarding the Commission's mega-arbitration ruling. The CLEC Coalition believes the language is inappropriate if SWBT is relying on the tariff to demonstrate compliance with Section 271, and should be removed.

Staff Recommendation:

Staff concurs with CLECs' concerns that the requirement to train SWBT technicians under the Virtual Collocation Tariff is problematic and expensive especially when a CLEC plans to provide advanced services using highly specialized equipment. Staff agrees that a CLEC will not have any control over SWBT's technicians for whom the CLEC would have to provide training at its own expense. SWBT's proposal of creating a segregated location for the CLEC community is problematic because CLECs are required to pay for the separate area so that SWBT can provide a secure and more reliable service to SWBT's own end use customers.

Staff understands the CLECs' concerns relating to the availability of SWBT-combined loop and transport UNEs after the expiration of the current interconnection agreements, in addition to the legal uncertainty looming over the combining issue. Staff notes that one of the CLECs' primary concerns is that the physical collocation of specialized equipment that occupies a limited space in a rack or a bay and the fact that such collocation does not justify paying for an entire 100 square ft. of caged or walled space.

Staff believes the Commission has the authority to designate the extended link as a UNE. The Eighth Circuit's decision in Southwestern Bell Tel. Co. v. FCC, 153 F.3d 523 (8th Cir., 1998) upheld the FCC's determination that shared transport constitutes a network element. In that decision, the Court stated:

the statutory definition of "network element" contained in § 153(29) expressly includes both individual network facilities and the functions which those facilities provide, either individually or in consort.

153 F.3d at 543. There is also additional precedent for defining multiple network facilities and functions as a single UNE. For example, the FCC defines the loop UNE as consisting of both the loop cable and

the NID, notwithstanding the fact that the NID is defined as a network element. Also, many states, including Texas, define the loop UNE to include the feeder plant, concentration equipment, distribution plant, and the NID facilities and functionalities, even though they also have designated these subloop elements as individual network elements in their own right.

When a portion or certain bandwidth or channels of a shared transport or dedicated transport facility is connected from the line side of a CLEC's switch to loop facilities that extend to customer premises via multiplexers, the functionality of that portion of the transport is similar to a feeder that is connected to a distribution segment via remote multiplexing or digital loop carrier facilities. Therefore the extended link can be defined as an element that is made up of feeder from the line side of a CLEC switch, multiplexer, and loop facilities that extend to a subscriber location. The rates for this UNE should be TELRIC-based. Even if the Commission chooses not to designate the extended link as a UNE, Staff believes the loop, multiplexer and transport should be provided in combination with virtual collocation of the cross connect.

The current structure of payment and prorated rebate for physical collocation space does not offer a commercially viable alternative for small facilities-based CLECs interested in less than 100 sq. ft. of space. Staff also understands SWBT's concern that the requirement to meet the service quality obligations under this Commission's substantive rules may be at risk if unfettered access is provided to a CLEC. Staff points out that the issue of alternate physical collocation arrangements has risen due to the aforementioned concerns of CLECs and SWBT. In view of the above concerns, Staff proposes the following options.

I. Enhanced Extended Loop (EEL) / Extended Link:

The Commission shall define the extended link (loop, transport and multiplexer) as a single UNE that SWBT must make available to CLECs. [SWBT agreed under Checklist Item Five Recommendation No. 1 to make available as a single UNE unbundled dedicated transport and the multiplexer.]

Applicable recurring and nonrecurring charges shall be based on Commission-approved rates in the mega-arbitration for the subcomponents of the EEL UNE; namely, the loop, transport and multiplexer. For example, if a loop is connected to a DS1 transport, the associated costs include the cost of the loop, cross-connects, the cost of DS1 transport and multiplexer. Cost associated with an additional loop shall be added to the base EEL on an incremental basis until the full bandwidth of the transport facility is utilized. The recurring and nonrecurring charges shall be the sum total of each component of the EEL; the loop component shall be added on an incremental basis until the bandwidth of the transport component of the EEL is exhausted. If a loop component is disconnected from the transport component of the EEL, the disconnect charges shall be the same as that approved for the disconnect of a loop in the mega-arbitration.

The extended link UNE should be available on an unrestricted basis and not artificially limited, e.g., available for circuit switched and packet switched services, analog and digital.

II. Cageless Collocation -- Common Space Collocation:

SWBT should designate a properly conditioned common collocation space that is segregated from the rest of the central office by tape on the floor or other markings, but is not physically closed off from the

rest of the central office. CLEC facilities and SWBT's will occupy the same conditioned space within Central Offices.

CLEC costs for collocation in this common space should not include any costs for physically segregating the area (*i.e.*, costs would not include cage or wall costs or costs for conditioning additional space due to the segregation such as those found in caged or walled physical collocation). However, SWBT should be compensated by CLECs for use of conditioned space and power for a single rack or a bay. This space should be available to CLECs in increments of 10 square feet, and CLECs should not be required to coordinate their requests for space with other CLECs, and should be allowed to request space in the segregated area individually. To enable SWBT to plan the size of the segregated space, CLECs should be required to give SWBT collocation space forecasts every six months.

Even though this collocation option shall be made available, a CLEC shall still have the ability to choose caged physical collocation as an alternative, even in a central office where a cageless alternative exists.

III. Types of Equipment to be Collocated:

SWBT should not prohibit a CLEC from physically or virtually collocating telecommunications equipment or systems because such systems are capable of providing switching and/or enhanced services, provided that such devices or systems are predominantly used for transmission, *e.g.*, hubbing, multiplexing, and routing functionalities. To the extent that such systems are proven to this Commission to detrimentally affect the operations of other network devices or services in regard to physical space, EMI or RFI interference, SWBT may propose to restrict physical or virtual collocation of such a device. The restriction as related to physical space should be such that for an equivalent number of loops the physical size of the collocated equipment should not be greater than the physical size of an RSM.

[Note: Under the SWBT/MCI and SWBT/AT&T interconnection agreements, SWBT has agreed to physical collocation of RSMs without the requirement of disabling the switching functionality inherent in that equipment. Under the SWBT/Waller Creek interconnection agreement, SWBT does not require Waller Creek to disable the switching functionality of the virtually collocated RSM.]

III. Security Measures:

The type of cageless collocation allowed relates directly to the mix and level of security procedures that are appropriate for central offices where collocation will take place.

Security options include:

- 1) background checks
- 2) certification of CLEC technicians and/or third party technicians by SWBT
- 3) disciplinary procedures agreed upon by SWBT and CLECs for infractions by technicians
- 4) installation of security devices (*e.g.*, identification swipe cards, keyed access, cameras, and/or logs)
- 5) indemnification and reparation for damages caused by technicians

SWBT may recover up to 50% of the costs, both recurring and nonrecurring, associated with the security measures.

Follow-Up:

SWBT and the participants are requested to file information addressing the issue of whether cost studies are necessary for the security measures described, and for the cageless collocation option generally, or whether cost information already exists from the mega-arbitration. Staff would like to see specific recommendations quantifying costs included in the filings.

To enable Staff to evaluate the magnitude of the security issues described by SWBT, SWBT shall provide the underlying data and percentages on incidents of safety infractions by technicians in SWBT central offices. The information shall be disaggregated to comparative data and percentages for SWBT employees/contractors and CLEC employees/contractors, and also disaggregated by central office.

CHECKLIST ITEM TWO: Has SWBT provided nondiscriminatory access to network elements in accordance with the requirements of section 251(c)(3) and 252(d)(1) of FTA, pursuant to 271(c)(2)(B)(ii) and applicable rules promulgated by the FCC?

Commission Recommendation No. 1:

SWBT shall offer at least the following three methods to allow CLECs to recombine UNEs. These three methods attempt to balance SWBT's security concerns with the desire of CLECs to combine UNEs:

- virtual collocation of cross-connects at cost-based rates;
- access to recent change capability of the switch to combine loop port combinations; and
- electronic access such as Digital Cross Connect (DCS) for combining loop and port at cost based rates, where available.

SWBT's Proposal:

SWBT stated that it intends to offer the five methods of access to combine the UNE network as proposed in its affidavit filed in this proceeding. SWBT insisted that it is not legally required to offer recent change capability of the switch or the virtual collocation of the cross-connect to combine UNE loop and port. Regarding electronic access such as digital cross connect (DCS), SWBT stated that the DCS or electronic MDF solutions are prohibitively expensive at this time.

SWBT is skeptical of the estimate of two to three million dollars for the use of the "Fast Flow" system for recent change or a firewall system of accessing recent change by a vendor that has not fully developed a product, and is doubtful if they will be able to fully develop and implement the system within six to nine months. SWBT also stated that recent change will work only where a line is already connected or if SWBT is required to combine the loop and switch physically for a new line or an additional line.

CLECs' Comments:

Recent Change Method of Combination

Comptel and Comtech demonstrated a prototype system designed to invoke the recent change capability of an electronic switch for combining and separating UNE loop and port. The demonstrated system (called "Fast Flow") included a prototype firewall for recombining and separating UNE loop and port by invoking the recent change capability of a remotely located switch. Comptel and Comtech also demonstrated the network security protection feature of the system by showing that if some unauthorized user tried to come in and do a recent change on a line, the firewall would block that capability from that unauthorized user.

The demonstration sponsored by AT&T and Comptel disconnected all capabilities for a customer except 911 (although the system can do a complete disconnect). The purpose for leaving 911 capability was that the CLECs feel that a customer should not be punished simply because he wants to change his local service provider. If this Commission requires a complete functional separation of a customer's loop from the switch, then 911 is not required. It is just as easy to completely disconnect from the switch and then do a complete reconnect under the system. Disconnect and reconnect functions should normally

take place during the off hours, and the time it takes for this operation is just a few seconds. If a customer is using the phone line at the time, the Fast Flow system sends in a command via MARCH to disconnect (it has a feature called "stable call" which can suspend the disconnect command and hold it in a queue until the line becomes inactive). The demonstrated system used the Line Class Code functionality of the switch; however, if SWBT intends to implement AIN, the system can be modified to take AIN triggers.

Comptel stated that it is technically feasible to recombine or separate UNE loop and port by installing a system as demonstrated by Comtech. Comptel stated that the Fast Flow system is a firewall gateway that would interface with the ILEC's MARCH system. The MARCH system is currently used by SWBT in the downstream provisioning flow of its legacy OSS system in order to generate recent changes. Currently, SWBT also gives access to MARCH to its Centrex customers so they can use the recent change function themselves. MARCH is connected to every switch in SWBT's network. MARCH generates recent changes to the appropriate switch to do the desired activity such as disconnect the customer, add a customer or change a feature. Comptel stated that the proposed Fast Flow firewall will interface at the MARCH system, and give the same type of instructions to MARCH that it is accustomed to getting from its legacy systems.

Comptel stated that this system has not been tested for commercial volumes. However, the Fast Flow system is of a modular type and it can grow to meet commercial volumes. A CLEC will need feedback from SWBT as to the locations and protocols of its MARCH and OSS systems for UNEs in order to optimally locate and design the proposed firewall system. Comtech estimated the approximate cost of the installed system may run from two to three million dollars. The implementation time for the system may vary from six to eight months depending upon how cooperative SWBT will be in providing inputs to design and implement the system. Comptel stated that Comtech is not the only vendor, there are other vendors who are capable of designing firewalls and software solutions for combining and disconnecting loop and port UNEs.

If a customer is served off of an integrated digital loop carrier, the proposed system of recent change would not require the replacement of IDLCs with UDLCs. Replacing IDLCs with UDLCs is an expensive proposition in comparison to recent change, and UDLCs result in degradation of quality and are therefore not parity access. SWBT's proposed five methods are labor intensive and far more expensive than the recent change and in addition they gate the broad scale entry into local exchange competition. One advantage of using a recent change system such as Fast Flow is that the system only has to be deployed once and then it handles the entire state.

AT&T stated that the issue of whether the requirement currently articulated by the Eighth Circuit that the CLEC take action to combine the elements and that the ILEC provide the elements to the CLEC in such a way that enables the CLEC to combine the elements means physical or functional (logical/electronic) separation/combination is a legal issue. What is clear from the recent change demonstration is that in order to take the next step and implement the Commission's recommendation that recent change be made available, SWBT has to work together with CLECs. AT&T's understanding of SWBT's position is that SWBT has a legal objection to the Commission's recommendation, and that SWBT is not willing to move forward with recent change at this time.

MCI stated that the SWBT proposed methods of combining introduce additional points of failure and are discriminatory. Recent Change addresses the combining of loop and port and the issue of combining

UNE loop to transport and other combinations are not addressed by RCMAC. MCI stated that virtual collocation of the cross connect is an acceptable solution for combining elements that do not involve UNE switch port.

TEXALTEL stated that under SWBT's proposal a CLEC has to use 5 jumpers to connect a customer, whereas SWBT has to use one or two jumpers at the most to connect the customer. Also, there should not be any additional cost to a CLEC to use RCMAC; any system upgrade that is required is already covered under the \$3,200 a CLEC pays monthly for OSS access.

In response to a question by Staff that if AT&T is willing to pay an amount that is equal to the avoided cost of deploying the recent change firewall system, if SWBT voluntarily offers not to separate the switch and port UNEs, AT&T stated that there is no work involved if SWBT decides to leave the UNE loop and port as is and therefore there should not be any cost. However, AT&T stated that this issue is on appeal.

Comptel stated that the automated MDF or DLC solution for combining UNEs is the most expensive, and that is not worth pursuing at this time.

Staff Recommendation and Follow-Up:

Staff notes that SWBT has disagreed with the Commission's recommendation for combining UNEs stating that it does not comport with the Eighth Circuit Court decision, and has continued to offer the five methods of access to combine the UNE network as proposed in its affidavit filed in this proceeding. Staff continues to believe these five methods are inadequate because all of the methods require some form of collocation. Staff notes that the FCC has recently made clear, in its denial of BellSouth's Louisiana interLATA entry application, that ILECs "can not limit a competitive carrier's choice to collocation as the only method for gaining access to and recombining network elements." ¶ 164, FCC Second Louisiana Order.

Accordingly, Staff finds that SWBT will meet this recommendation if it agrees to and offers the following methods for combining UNEs:

- 1. Offers access to recent change capability of the switch to combine UNE loop and Port. In offering access to recent change, SWBT must cooperate with the CLECs in designing and implementing a firewall system that interfaces with its OSS system and downstream MARCH system, AIN system, and other systems that are required to access the Recent Change capability of the system to functionally, logically, and electronically disconnect and recombine. (In lieu of this method, SWBT could choose to offer an unseparated UNE loop and port combination, on an ongoing basis to all CLECs without any restriction, for a glue charge that is equivalent to the cost (yet to be determined) of implementing a software solution that accesses recent change capability in a secured manner); and*
- 2. Offers virtual collocation of the cross connect for combining UNE loop and Transport, or UNEs that do not involve UNE switch port. The NRC charges for the virtual cross connect shall be same as those established in the mega-arb. However, the monthly recurring charge that is required to maintain the integrity of the virtually collocated cross connects shall be based on cost. The interim recurring rate for virtual collocation of the cross connect shall be no more than \$ 0.50 subject to refund or surcharge upon final approval of the rate by the Commission.*

Staff recommends that the DLC or electronic MDF option for combining UNE loop and port be withdrawn at this time.

Commission Recommendation No. 2:

SWBT, Commission Staff, and the participants to this proceeding shall explore the following issues during the collaborative process:

- additional methods for recombining UNEs or for allowing CLECs to combine UNEs and the costs associated with such methods;
- whether SWBT is providing any and all individual UNEs required by FTA96.

SWBT's Proposal:

SWBT stated that it stands by its proposed five methods of combining as stated in its affidavit.

CLECs' Comments:

MCI noted that it had experienced a variety of problems with SWBT's provision of UNE combinations to MCI trial customers, including (1) loss of dial tone, (2) loss of access to directory assistance, and (3) incorrect branding of directory assistance and operator services. MCI stated that SWBT had explained that the cause was human error and that the problem was fixed, but provided no explanation of how it was addressed. MCI has concerns that SWBT's provision of UNE combinations make it difficult for CLECs to use the method for providing retail service, and the use of UNE combinations for any type of mass market offering is unworkable at this time.

MCI also raised billing issues encountered in its market trial for UNE combinations in the Houston area. Some problems include: (1) missing bill data on customers in service; (2) missing charges; (3) discrepancies in customer information; and (4) SWBT's rating of intraLATA and Directory Assistance calls at resale rather than UNE prices. SWBT stated that it is taking steps to correct the intraLATA toll billing problem.

MCI also raised numerous issues relating to Performance Measure reports on billing measures and SWBT's provision of billing information to MCI.

CLECs' Comments Regarding Methods of Combination and Provision of UNEs

The CLECs offered the following options listed in order of their preference:

All CLECs would prefer that SWBT leave UNEs together or at least leave them together and CLECs would then pay SWBT a "reasonable"/cost-based nonrecurring charge for connecting the UNEs. However, CLECs were asked to list methods for combining UNEs that they would support, and responded as follows:

AT&T / Comptel

1. Recent change
2. Virtual Collocation of cross connects (low option)
3. Direct access by CLEC technician to MDF w/o escort (low option)

For IDLC, keep option 1. so service is not degraded. Nothing else works unless you leave UNEs together or use recent change.

Comptel (for switch-based providers)

- 1. Extended loop/link is best option*
- 2. 2nd best is CLEC supplies wire & virtual collocation of cross connect w/ option of SWBT or CLEC technician doing maintenance & CLEC technicians doing the cross connect*
- 3. Digital cross connect is distant third option*
- 4. If have specialized equipment, unfettered access & integrated equipment with SWBT*

MCI

Non-switch-based provider

- 1. Recent change*
- 2. Direct Access to MDF (unfettered access to CO when use SWBT switch)*

Switch based provider

- 1. Extended loop/link*
- 2. Cageless collocation*

Intermedia, ChoiceCom, Nextlink, e.spire (Facilities-based / Switch-based Carriers)

- 1. Extended loop/link for DS0 on up.*
- 2. Option for Virtual or Physical Collocation of cross connect; want option to use own technicians w/o escorts to install & maintain.*
- 3. Cageless Collocation*

Staff Recommendation and Follow-Up:

Staff notes that SWBT has continued to offer only the five methods of access to combine the UNE network as proposed in its affidavit filed in this proceeding. Staff continues to believe these five methods are inadequate because all of the methods require some form of collocation. Staff notes that the FCC has recently made clear, in its denial of BellSouth's Louisiana interLATA entry application, that ILECs "can not limit a competitive carrier's choice to collocation as the only method for gaining access to and recombining network elements." ¶ 164, FCC Second Louisiana Order. Additional methods of access are also important in light of MCI's experiences with SWBT's provision of UNE combinations to MCI trial customers.

Staff recommends that SWBT offer the following options to CLECs:

Non switch-based providers

- 1. Leave together with NRC/glue charge (recent change is subsumed under this option)*
- 2. Direct Access to MDF with security monitoring. Staff recommends that only 50 % of the cost of monitoring should be recovered by SWBT from a CLEC, because the cost is necessary to ensure both*

SWBT's and CLEC's network. The structure for recovery shall be 50% of the recoverable amount on an NRC basis and the remainder on monthly recurring basis.

Switch-based providers

1. *Extended Link*
2. *Virtual Collocation of the cross connect that provides the functionality of extended loop. Virtual collocation of the cross connect for combining UNE loop and Transport, or UNEs that do not involve UNE switch port. The NRC charges for the virtual cross connect shall be same as those established in the mega-arb. However, the monthly recurring charge that is required to maintain the integrity of the virtually collocated cross connects shall be based on cost. The interim recurring rate for virtual collocation of the cross connect shall be no more than \$ 0.50 subject to refund or surcharge upon final approval of the rate by the Commission.*
3. *Cageless alternative collocation as recommended by Staff.*

Billing issues relating to provision of UNE combinations should be addressed in OSS testing.

Commission Recommendation No. 3:

Concerning virtual collocation of cross connects, the Commission recommends that CLECs be able to provide incumbent local exchange companies (ILECs) with rolls of their own wire. When a customer changes carriers from the ILEC to a CLEC, the ILEC would take out a wire from the CLEC's inventory, untie and remove the ILEC's wire, and insert and tie the CLEC's wire. Similarly, if a customer returns to the ILEC, the ILEC must remove the CLEC's wire, insert its wire, and return the CLEC's wire to the CLEC's inventory. SWBT, under this scenario, would be able to recover its forward-looking, economic costs and insure the security of the network.

SWBT's Proposal:

SWBT did not agree.

CLECs' Comments:

The CLECs stated that this option is their lowest priority for combining loop and port. The CLECs stated that this option will limit the broad-based entry into local market by a CLEC. However, this option is applicable to switch-based providers, in that this method can be used to combine UNEs that do not include UNE switch port.

Staff Recommendation and Follow-Up:

If SWBT agrees to implement this recommendation it will be met.